

1                   IN THE UNITED STATES DISTRICT COURT  
2                   FOR THE NORTHERN DISTRICT OF OHIO  
3                   EASTERN DIVISION

4           -----                   )  
5   IN RE: NATIONAL                   ) MDL No. 2804  
6   PRESCRIPTION OPIATE                   )  
7   LITIGATION                   ) Case No.  
8   -----                   ) 1:17-MD-2804  
9                   )  
10   THIS DOCUMENT RELATES TO                   ) Hon. Dan A. Polster  
11   ALL CASES                   )  
12   -----                   )

13                   HIGHLY CONFIDENTIAL  
14                   SUBJECT TO FURTHER CONFIDENTIALITY REVIEW

15                   VIDEOTAPED DEPOSITION OF  
16                   REX SWORDS

17                   December 21, 2018

18                   Chicago, Illinois

19  
20  
21                   GOLKOW LITIGATION SERVICES  
22                   877.370.3377 ph | 917.591.5672 fax  
23                   deps@golkow.com  
24

Page 2	Page 4
<p>1 The videotaped deposition of REX SWORDS, 2 called by the Plaintiffs for examination, taken 3 pursuant to the Federal Rules of Civil Procedure of 4 the United States District Courts pertaining to the 5 taking of depositions, taken before CORINNE T. 6 MARUT, C.S.R. No. 84-1968, Registered Professional 7 Reporter and a Certified Shorthand Reporter of the 8 State of Illinois, at the offices of Bartlit Beck 9 Herman Palenchar &amp; Scott, Suite 600, 54 West 10 Hubbard Street, Chicago, Illinois, on 11 December 21, 2018, commencing at 8:11 a.m. 12 13 14 15 16 17 18 19 20 21 22 23 24</p>	<p>1 APPEARANCES (Continued): 2 ON BEHALF OF ENDO HEALTH SOLUTIONS INC. and 3 ENDO PHARMACEUTICALS, INC., 4 PAR PHARMACEUTICAL, INC., and PAR PHARMACEUTICAL 5 COMPANIES, INC. (f/k/a Par Pharmaceutical 6 Holdings, Inc.): 7 ARNOLD &amp; PORTER KAYE SCHOLER LLP 8 601 Massachusetts Avenue, NW 9 Washington, DC 20001-3743 10 202-942-5000 11 EVELINA J. NORWINSKI, ESQ. 12 evelina.norwinski@arnoldporter.com 13 (via telephone/livestream) 14 15 ON BEHALF OF McKESSON CORPORATION: 16 TABET DIVITO &amp; ROTHSTEIN LLC 17 209 South LaSalle Street, 7th Floor 18 Chicago, Illinois 60604 19 312-762-9461 20 BY: KYLE A. COOPER, ESQ. 21 kcooper@tdrlawfirm.com 22 23 ON BEHALF OF CARDINAL HEALTH, INC.: 24 WILLIAMS &amp; CONNOLLY LLP 725 Twelfth Street, N.W. Washington, DC 20005 202-434-5013 BY: MATTHEW C. MONAHAN, ESQ. mmonahan@wc.com (via livestream)</p>
Page 3	Page 5
<p>1 APPEARANCES: 2 ON BEHALF OF THE PLAINTIFFS: 3 LEVIN PAPANTONIO THOMAS MITCHELL 4 RAFFERTY &amp; PROCTOR P.A. 5 316 South Baylen Street, Suite 600 6 Pensacola, Florida 32502 7 205-396-3982 8 BY: PETER J. MOUGEY, ESQ. 9 pmougey@levinlaw.com 10 11 NAPOLI SHKOLNIK, PLLC 12 360 Lexington Avenue, 11th Floor 13 New York, New York 10017 14 212-397-1000 15 BY: HUNTER J. SHKOLNIK, ESQ. 16 hunter@napolilaw.com 17 (via telephonic communication) 18 19 ON BEHALF OF WALGREENS BOOTS ALLIANCE, INC. 20 aka WALGREEN CO. and THE DEPONENT: 21 BARTLIT BECK LLP 22 54 West Hubbard Street, Suite 300 23 Chicago, Illinois 60654 24 312-494-4475 BY: KASPAR STOFFELMAYR, ESQ. kaspar.stoffelmayr@BartlitBeck.com</p>	<p>1 APPEARANCES (Continued): 2 ON BEHALF OF AMERISOURCEBERGEN CORPORATION and 3 AMERISOURCEBERGEN CORPORATION: 4 5 REED SMITH LLP 6 10 South Wacker Drive, 40th Floor 7 Chicago, Illinois 60606-7507 8 312-207-2834 9 BY: M. PATRICK YINGLING, ESQ. 10 MPYingling@reedsmith.com 11 12 ON BEHALF OF WALMART: 13 JONES DAY 14 77 West Wacker Drive 15 Chicago, Illinois 60601-1692 16 312-782-3939 17 BY: JASON Z. ZHOU, ESQ. 18 jzhou@jonesday.com 19 20 ON BEHALF OF HBC COMPANY: 21 MARCUS &amp; SHAPIRA LLP 22 One Oxford Centre, 35th Floor 23 Pittsburgh, Pennsylvania 15219 24 412-338-4383 BY: ELLY HELLER-TOIG, ESQ. ehtoig@marcus-shapira.com (via telephone/livestream)</p>

<p style="text-align: right;">Page 6</p> <p>1 ALSO PRESENT:</p> <p>2 ALEXANDRA M. GARLOCK, Paralegal agarlock@levinlaw.com,</p> <p>3 Levin Papantonio Thomas Mitchell Rafferty &amp; Proctor P.A.</p> <p>4</p> <p>5 MADISON SHELQUIST, Legal Assistant, Levin Papantonio Thomas Mitchell Rafferty &amp; Proctor P.A.</p> <p>6</p> <p>7 COREY SMITH, Trial Technician</p> <p>8</p> <p>9</p> <p>10 VIDEOTAPED BY: BEN STANSON</p> <p>11</p> <p>12 REPORTED BY: CORINNE T. MARUT, C.S.R. No. 84-1968</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p>	<p style="text-align: right;">Page 8</p> <p>1 E X H I B I T S</p> <p>2 WALGREENS-SWORDS EXHIBIT MARKED FOR ID</p> <p>3 No. 9 2/12/13 e-mail string; 259 WAGMDL00478001 -00478002</p> <p>4</p> <p>5 No. 10 3/26/13 e-mail with 269 attachment; WAGMDL00663366 - 00663368</p> <p>6</p> <p>7 No. 11 8/26/09 Project Request 278 Estimate; WAGMDL00492067 - 00492069</p> <p>8</p> <p>9 No. 12 6/23/08 memo; 279 WAGMDL00624503 - 00624508</p> <p>10 No. 13 9/23/11 Project: DEA 310 Suspicious Order - Phase III; WAGMDL00492378 - 00492380</p> <p>11</p> <p>12 No. 14 11/9/11 Project: DEA 313 Suspicious Order - Phase III; WAGMDL00492375 - 00492376</p> <p>13</p> <p>14 No. 15 10/1/12 e-mail string; 320 WAGMDL00705318 - 00705320</p> <p>15</p> <p>16 No. 16 12/28/12 e-mail string; 324 WAGMDL00308497 - 00308498</p> <p>17 No. 17 7/2/12 e-mail with attachment; 327 WAGMDL00077015 - 00077016</p> <p>18</p> <p>19 No. 18 7/8/16 e-mail string; 336 WAGMDL00129607 - 00129610</p> <p>20 No. 19 12/3/16 e-mail with attachment; 337 WAGMDL00129005 - 00129007</p> <p>21</p> <p>22 No. 20 Spreadsheet; 339 WAGMDL00400358</p> <p>23</p> <p>24</p>
<p style="text-align: right;">Page 7</p> <p>1 I N D E X</p> <p>2 REX SWORDS EXAMINATION</p> <p>3 BY MR. MOUGEY..... 10</p> <p>4 BY MR. STOFFELMAYR..... 364</p> <p>5</p> <p>6 E X H I B I T S</p> <p>7 WALGREENS-SWORDS EXHIBIT MARKED FOR ID</p> <p>8 No. 1 Resume, Rex. A. Swords, R.Ph.; 34 P-WAG-02115</p> <p>9</p> <p>10 No. 2 3/1/12 e-mail; 75 WAGFLDEA00001536</p> <p>11 No. 3 DEA Compliance Working Group, 94 January 10, 2013, Meeting Summary WAGMDL00496404 - 00496406</p> <p>12</p> <p>13</p> <p>14 No. 4 9/16/12 e-mail string; 116 WAGMDL00528179 - 00528180</p> <p>15 No. 5 3/20/13 e-mail string with 131 attachment; WAGMDL00574824 - 00574825</p> <p>16</p> <p>17 No. 6 10/3/13 e-mail string with 157 attachment; WAGMDL00018597 - 00018610</p> <p>18</p> <p>19 No. 7 Binder containing Settlement 183 and Memorandum of Agreement and other documents; WAGMDL00490963 - 00490973; P-WAG-0001</p> <p>20</p> <p>21</p> <p>22 No. 8 Administrative Inspection 251 Warrant; WAGMDL00493697 - 00493700</p> <p>23</p> <p>24</p>	<p style="text-align: right;">Page 9</p> <p>1 THE VIDEOGRAPHER: We are now on the record.</p> <p>2 My name is Ben Stanson. I'm a videographer for</p> <p>3 Golkow Litigation Services.</p> <p>4 Today's date is December 21, 2018, and</p> <p>5 the time is 8:11 a.m.</p> <p>6 This video deposition is being held in</p> <p>7 Chicago, Illinois in the matter of the National</p> <p>8 Prescription Opiate Litigation, MDL No. 2804,</p> <p>9 pending in the U.S. District Court, Northern</p> <p>10 District of Ohio, Eastern Division.</p> <p>11 The deponent is Rex Swords.</p> <p>12 Counsel, please introduce yourselves for</p> <p>13 the record.</p> <p>14 MR. MOUGEY: I'm Peter Mougey on behalf of the</p> <p>15 Plaintiffs. Go ahead.</p> <p>16 MS. GARLOCK: Alexandra Garlock on behalf of</p> <p>17 the Plaintiffs.</p> <p>18 MS. SHELQUIST: Madison Shelquist on behalf of</p> <p>19 the Plaintiffs.</p> <p>20 MR. COOPER: Kyle Cooper on behalf of</p> <p>21 McKesson.</p> <p>22 MR. YINGLING: Patrick Yingling for</p> <p>23 AmerisourceBergen.</p> <p>24 MR. STOFFELMAYR: Kaspar Stoffelmayr for</p>

<p style="text-align: right;">Page 10</p> <p>1 Walgreens.</p> <p>2 THE REPORTER: Counsel on the phone.</p> <p>3 MR. NORWINSKI: This is Evelina Norwinski from</p> <p>4 Arnold &amp; Porter on behalf of the Endo and Par</p> <p>5 Defendants.</p> <p>6 THE VIDEOGRAPHER: Thank you. Our Court</p> <p>7 Reporter is Corinne Marut. Will you please swear</p> <p>8 in the witness.</p> <p>9 (WHEREUPON, the witness was duly</p> <p>10 sworn.)</p> <p>11 REX SWORDS,</p> <p>12 called as a witness herein, having been first duly</p> <p>13 sworn, was examined and testified as follows:</p> <p>14 EXAMINATION</p> <p>15 BY MR. MOUGEY:</p> <p>16 Q. Good morning, Mr. Swords. My name is</p> <p>17 Peter Mougey. I represent the Plaintiffs in this</p> <p>18 case.</p> <p>19 Start with your resume, but I wanted to</p> <p>20 ask you a couple questions beforehand. Have you</p> <p>21 given testimony prior to today?</p> <p>22 A. Yes.</p> <p>23 Q. And when I say "testimony," I mean in</p> <p>24 the form of depositions or sworn statements or</p>	<p style="text-align: right;">Page 12</p> <p>1 Q. Okay. And the second general was the</p> <p>2 prescription error litigation. Can you give me</p> <p>3 just a general description of what --</p> <p>4 A. Those were both depositions.</p> <p>5 Q. Okay.</p> <p>6 A. And one of them was early 1990s, and</p> <p>7 there have been some other ones in the 2000s more</p> <p>8 recently.</p> <p>9 Q. So, when you say there have been some</p> <p>10 other ones, what are you -- so, you gave me two</p> <p>11 when I asked the question initially. So, what are</p> <p>12 the other ones in addition to those two?</p> <p>13 A. They were prescription error cases.</p> <p>14 Q. Okay. There was a series of</p> <p>15 prescription --</p> <p>16 A. Categories.</p> <p>17 Q. -- prescription error cases. There was</p> <p>18 a series of cases?</p> <p>19 A. I believe I've had three total</p> <p>20 depositions with respect to prescription errors.</p> <p>21 Q. And are you equating number of</p> <p>22 depositions with the number of cases?</p> <p>23 A. Yes.</p> <p>24 Q. And would you generally give me a</p>
<p style="text-align: right;">Page 11</p> <p>1 interviews.</p> <p>2 Can you walk me through what your</p> <p>3 proceedings or investigations or that you've</p> <p>4 provided testimony or sworn statements?</p> <p>5 A. I have been either in deposition or</p> <p>6 sworn statement or trial with respect to</p> <p>7 third-party payment litigation, prescription error</p> <p>8 litigation, and I think that probably covers it,</p> <p>9 those two areas.</p> <p>10 Q. Those two areas. And the third-party</p> <p>11 payment litigation, where was -- where did you --</p> <p>12 where was that pending?</p> <p>13 A. I believe that was in Memphis.</p> <p>14 Q. In Memphis?</p> <p>15 A. Um-hmm.</p> <p>16 Q. And would you just generally describe</p> <p>17 what the content of your testimony was.</p> <p>18 A. It was a lawsuit that we brought on</p> <p>19 against CVS Caremark at the time for access to</p> <p>20 Medicare Part D, any willing provider status.</p> <p>21 Q. And when was that? When was the</p> <p>22 litigation?</p> <p>23 A. I don't remember the exact dates. It</p> <p>24 would have been early 2000s.</p>	<p style="text-align: right;">Page 13</p> <p>1 description of the prescription error litigation?</p> <p>2 A. They were prescription -- there were</p> <p>3 claims that we had made prescription errors, and so</p> <p>4 cases were brought against Walgreens for that.</p> <p>5 Q. So, were those -- would you call those</p> <p>6 malpractice claims where there was an adverse</p> <p>7 effect from an error over a prescription that was</p> <p>8 dispensed?</p> <p>9 A. More so probably in the -- what they</p> <p>10 would have categorized as a malpractice.</p> <p>11 Q. Okay. Like a medical malpractice case</p> <p>12 almost?</p> <p>13 A. It would have been an error in filling a</p> <p>14 prescription.</p> <p>15 Q. And those cases, you say early 1990s.</p> <p>16 Have those -- were they all confined to the 1990s</p> <p>17 or have they been over a series of time?</p> <p>18 A. No. The first one was in the 1990s and</p> <p>19 I've had a couple in the last five, six years.</p> <p>20 Q. Why don't you just walk me through when</p> <p>21 the three -- I think you said there were three of</p> <p>22 them, correct?</p> <p>23 A. Yes.</p> <p>24 Q. When were -- just generally when were</p>

<p style="text-align: right;">Page 14</p> <p>1 the --</p> <p>2 A. The first one would have been around</p> <p>3 1995, '94, somewhere in the early '90s there.</p> <p>4 Q. Right.</p> <p>5 A. And then the other two were -- the</p> <p>6 second one was probably closer to 2010 to 2012,</p> <p>7 somewhere in there. And the third one, the more</p> <p>8 recent one, would have been 2015 or '16 maybe.</p> <p>9 Q. And outside of those two general</p> <p>10 categories, you haven't given any sworn statements,</p> <p>11 testimony, any affidavits to -- in any other</p> <p>12 proceeding?</p> <p>13 A. Well, I have presented at Board of</p> <p>14 Pharmacy. I'm not sure what you're categorizing</p> <p>15 as --</p> <p>16 Q. I'm really not. I'm asking you -- I'm</p> <p>17 doing that on purpose. So, I am not asking have</p> <p>18 you given a depo. I'm not asking if it was under</p> <p>19 oath.</p> <p>20 I'm trying to ask you a broad question</p> <p>21 of any statement or anything you've provided to any</p> <p>22 regulator, board, any oversight committee in</p> <p>23 relation to your roles at Walgreens.</p> <p>24 A. Well, part of my role would be to speak</p>	<p style="text-align: right;">Page 16</p> <p>1 A. It's not -- I don't know whether -- I'm</p> <p>2 trying to be as complete with my answer as I can</p> <p>3 with you and...</p> <p>4 Q. Yes. Let's keep it to the regulators</p> <p>5 for a minute. To me a regulator is any state</p> <p>6 regulator or federal regulator.</p> <p>7 A. Okay.</p> <p>8 Q. And I'm excluding trade organizations.</p> <p>9 A. Okay.</p> <p>10 Q. Okay? Statements, sworn testimony,</p> <p>11 affidavits, anything to a State or Federal</p> <p>12 regulators?</p> <p>13 A. State Board of Pharmacies. I've spoken</p> <p>14 with DEA. I've had meetings with the DEA.</p> <p>15 Q. Anything else other than state --</p> <p>16 state -- I'm sorry -- Board of Pharmacies and the</p> <p>17 DEA?</p> <p>18 A. Not that I can recall.</p> <p>19 Q. Let's break out those two categories.</p> <p>20 Explain, talk to me about your different</p> <p>21 interactions where you've given statements or sworn</p> <p>22 statements or testimony or affidavits to the DEA.</p> <p>23 A. Well, those would have been in the last</p> <p>24 ten years or so with respect to their I would call</p>
<p style="text-align: right;">Page 15</p> <p>1 to various groups on behalf of the company. So,</p> <p>2 I've spoken with NACDS. I've spoken with NABP.</p> <p>3 I've spoken with various Boards of Pharmacy</p> <p>4 throughout my time with Walgreens.</p> <p>5 Q. Let's start with regulators. Any -- any</p> <p>6 regulators, State or Federal, that you've provided</p> <p>7 any sworn statements or testimony?</p> <p>8 A. No sworn statements or testimony.</p> <p>9 Q. Any that you have provided any</p> <p>10 statements whatsoever even if they weren't under</p> <p>11 oath to any State or Federal regulator?</p> <p>12 A. Yes, I've had conversations with state</p> <p>13 and federal regulators. So...</p> <p>14 Q. And what type of conversations were</p> <p>15 those?</p> <p>16 A. I've spoken again at Board of Pharmacy</p> <p>17 meetings on behalf of the company. I've spoken</p> <p>18 with various trade organizations on behalf of the</p> <p>19 company.</p> <p>20 Q. Now, a trade organization is not a</p> <p>21 regulator, right?</p> <p>22 A. If you say so.</p> <p>23 Q. You think a trade organization is a</p> <p>24 regulator in your book?</p>	<p style="text-align: right;">Page 17</p> <p>1 routine questions from the DEA about different</p> <p>2 issues throughout the course of business.</p> <p>3 So, I've had interaction with them at</p> <p>4 that point where they've requested files or</p> <p>5 information on, you know, policies, procedures,</p> <p>6 those sort of things, records, and then I've had</p> <p>7 conversations with them around dispensing habits,</p> <p>8 things like that, both individually as well as part</p> <p>9 of forum groups.</p> <p>10 Q. Any of those interactions with the DEA,</p> <p>11 were your statements recorded in any shape, form or</p> <p>12 fashion?</p> <p>13 A. Not that I'm aware of.</p> <p>14 Q. When I say "recorded," I mean either</p> <p>15 just an audio recording, a video recording, a Court</p> <p>16 Reporter taking down any of your interactions with</p> <p>17 the DEA?</p> <p>18 A. Not that I recall, no.</p> <p>19 Q. Let's go back to the Board of Pharmacy.</p> <p>20 Would you give me just a general</p> <p>21 description of your interactions with the Board of</p> <p>22 Pharmacy as far as statements, sworn statements,</p> <p>23 testimony with the Board of Pharmacies?</p> <p>24 A. Well, as part of my normal duties at the</p>

<p style="text-align: right;">Page 18</p> <p>1 time, we present different -- different policies or  2 operating requests to various Boards of Pharmacy to  3 get their approval, those kind of things. So,  4 would have had discussions around those type of  5 areas.  6 Q. Which? When you say a Board of  7 Pharmacy, are you talking state regulators or more  8 at the federal level or both?  9 A. A State Board of Pharmacy.  10 Q. Okay. And which State Board of  11 Pharmacy?  12 A. Well, I know I have spoken at the  13 New Mexico State Board of Pharmacy. I know I have  14 spoken at the Arizona State Board of Pharmacy.  15 Those are --  16 Q. So, you -- I didn't mean to interrupt.  17 Go ahead.  18 A. Those are the two I recall.  19 Q. When you say you've spoken at, do you  20 mean a conference or some sort of continuing  21 education where you come in and present or are you  22 talking about where you were called in as a  23 representative of Walgreens to give a statement?  24 A. Well, it was never as I was called in.</p>	<p style="text-align: right;">Page 20</p> <p>1 do that.  2 Q. So, you contacted State Board of  3 Pharmacies. You asked to be put on the agenda for  4 the regular meetings to seek clarification  5 regarding some rule or whatever in Arizona and/or  6 New Mexico?  7 A. That's correct.  8 Q. Okay. Thank you. And you haven't been  9 based out of New Mexico or Arizona for quite some  10 time, correct?  11 A. That's correct.  12 Q. So, you're talking about earlier in your  13 career?  14 A. Both earlier in my career and as my --  15 you know, and as my role of overseeing pharmacy  16 operations for Walgreens.  17 Q. But you have not been based out of  18 New Mexico and/or Arizona since November 2006,  19 correct?  20 A. That's correct.  21 Q. Now, anything that you just described to  22 me as far as your meetings with the DEA and/or the  23 Board of Pharmacies relate to Schedule II or  24 Schedule III narcotics?</p>
<p style="text-align: right;">Page 19</p> <p>1 I would have requested to speak to them.  2 Q. So, when you've "spoken at," to me that  3 sounds like a conference. So, when you say you've  4 "spoken at," you contacted one of the State Board  5 of Pharmacies and you asked to sit down with them,  6 is that --  7 A. At a regular meeting, yes.  8 Q. At a regular meeting?  9 A. Right.  10 Q. So, give me some more information about  11 what would cause you to contact a State Board of  12 Pharmacy, the two that you recall, New Mexico and  13 Arizona, and cause a sitdown.  14 A. Well, as I stated before, State Boards  15 of Pharmacy have regular meetings. They're  16 required to by regulation. So, the process would  17 have been if you were -- if you were asking for  18 clarification on a particular rule or you were  19 asking for what we call waivers to an existing  20 regulation, you would typically meet in front of  21 the Board of Pharmacy at their regularly scheduled  22 meeting and make such a request of them.  23 So, that was -- that was a normal --  24 that was part of my responsibilities on occasion to</p>	<p style="text-align: right;">Page 21</p> <p>1 A. Yes.  2 Q. And either of those relate to,  3 specifically under Schedule II or Schedule III,  4 opiates?  5 A. Yes.  6 Q. And can you give me a little more  7 information on the kind of the rubric you just  8 described, the DEA and the State Board of  9 Pharmacies, what the specifics were of when you  10 were either seeking clarification from the State  11 Board and/or the DEA meetings?  12 A. With the State Board of Pharmacy I spoke  13 at the New Mexico State Board of Pharmacy meeting  14 specifically around our targeted good faith  15 dispensing memo. They had some questions as to how  16 we were applying that and actually refusing to fill  17 prescriptions. So, they requested to meet with our  18 representatives, and I was one of the  19 representatives that was there to address the board  20 with their request.  21 Q. And when was this?  22 A. Roughly, I don't know, 2012, 2013,  23 somewhere in there. I'm not sure of the exact  24 dates.</p>



<p style="text-align: right;">Page 22</p> <p>1 Q. And the targeted GFD is a specific</p> <p>2 policy within Walgreens focused on Schedule II and</p> <p>3 Schedule III, correct?</p> <p>4 A. That's correct.</p> <p>5 Q. And, so, walk me through what some of</p> <p>6 the questions were from the -- was it the</p> <p>7 New Mexico or Arizona? I'm sorry.</p> <p>8 A. It was New Mexico Board of Pharmacy.</p> <p>9 Q. New Mexico. Please walk me through some</p> <p>10 of the questions or the issues that were discussed</p> <p>11 with the New Mexico Board of Pharmacy regarding</p> <p>12 Walgreens targeted GFD?</p> <p>13 A. Well, I don't recall their specific</p> <p>14 questions. I can --</p> <p>15 Q. Generally speaking.</p> <p>16 A. Generally speaking, they were -- they</p> <p>17 were concerned. They had received consumer</p> <p>18 complaints and physician complaints about us having</p> <p>19 a process that would seek to verify, understand the</p> <p>20 legitimacy of prescriptions by the physician, to</p> <p>21 review dispensing records, to look at patient</p> <p>22 characteristics.</p> <p>23 And, so, the Board of Pharmacy had</p> <p>24 supposedly received complaints from the physician</p>	<p style="text-align: right;">Page 24</p> <p>1 "Well, I just called and I would ask to come in and</p> <p>2 talk to them," that's a different category. This</p> <p>3 is a category where Walgreens was asked to appear</p> <p>4 at one of the regularly scheduled meetings and come</p> <p>5 in and explain its targeted GFD in 2012, 2013?</p> <p>6 A. Again, it was a long time ago. I don't</p> <p>7 recall the specifics of how the event occurred.</p> <p>8 I've described the event as I recall it.</p> <p>9 Q. Was there an outcome or a holding or a</p> <p>10 finding or anything along those lines after</p> <p>11 Walgreens appeared at the Board of Pharmacy meeting</p> <p>12 regarding its targeted GFD?</p> <p>13 A. Not that I recall.</p> <p>14 Q. So, that's one example of one State</p> <p>15 Board of Pharmacy. Is there another?</p> <p>16 A. Not that I know of.</p> <p>17 Q. So, where we started down this line of</p> <p>18 questioning is I was asking about times when you</p> <p>19 appeared in front of Board of Pharmacies or that</p> <p>20 you contacted them or they contacted you, whatever</p> <p>21 the communication was. You gave me this example.</p> <p>22 Is there any other examples that you can recall?</p> <p>23 A. With respect to what, sir?</p> <p>24 Q. The statements, the communications, the</p>
<p style="text-align: right;">Page 23</p> <p>1 community as well as the consumer community that we</p> <p>2 were restricting access to their medications by our</p> <p>3 policy.</p> <p>4 Q. Was that a hearing? What kind of</p> <p>5 proceeding was that?</p> <p>6 A. It was a Board of Pharmacy meeting.</p> <p>7 Q. So, that wasn't one of the examples</p> <p>8 where you called them and asked for clarification?</p> <p>9 A. I believe at that time they were</p> <p>10 inquiring as to what it was. We offered to come in</p> <p>11 and explain it to them.</p> <p>12 Q. Yes, sir. They called Walgreens and</p> <p>13 asked you all to come explain something?</p> <p>14 A. I don't know that they called us, but I</p> <p>15 think the reference was made that they wanted to</p> <p>16 understand more about it.</p> <p>17 Q. They contacted Walgreens, they asked</p> <p>18 Walgreens to appear at one of their meetings. This</p> <p>19 wasn't where you call and just asked for</p> <p>20 clarification, right?</p> <p>21 A. I don't believe we made contact with</p> <p>22 them initially.</p> <p>23 Q. So, when I asked you earlier about your</p> <p>24 communications with the regulators and you said,</p>	<p style="text-align: right;">Page 25</p> <p>1 testimony, all those categories we started off</p> <p>2 with.</p> <p>3 A. Yes, I --</p> <p>4 Q. Then we started -- then we went narrower</p> <p>5 into the Board of Pharmacies. You said two, New</p> <p>6 Mexico and Arizona?</p> <p>7 A. Yes.</p> <p>8 Q. And then I asked you some specific</p> <p>9 instances of communications, and this was one of</p> <p>10 the specific instances. Can you provide me some</p> <p>11 other specific instances?</p> <p>12 A. Sure. I've appeared before the Arizona</p> <p>13 State Board of Pharmacy with requests for variance</p> <p>14 to waivers, with -- around process, those kind of</p> <p>15 things.</p> <p>16 Q. When you say "variance to waivers," can</p> <p>17 you give me a little more understanding of what</p> <p>18 you're referencing?</p> <p>19 A. State Boards obviously have regulations,</p> <p>20 and one of the things as technology and other</p> <p>21 things improve, sometimes regulations don't keep up</p> <p>22 with those changes.</p> <p>23 So, you would go in. It would be --</p> <p>24 there would be a process for you to go in and ask</p>

<p style="text-align: right;">Page 26</p> <p>1 the State Board for a waiver to do something that 2 may not have been contemplated when the regulation 3 was written. 4 Q. All right. Anything with the Arizona 5 State Board of Pharmacy in relation to Schedule II 6 and Schedule III and, more specifically, opiates? 7 A. Not that I recall. 8 Q. The other category was the DEA? 9 A. Yes. 10 Q. Will you walk me through what -- I'm not 11 talking letters back and forth. I'm asking for 12 right now just communications with the DEA 13 involving statements from you on behalf of 14 Walgreens. 15 A. Well, the DEA through NABP had agreed to 16 several meetings that were held with a consortium 17 of retailers, and so I was part of those meetings. 18 Q. That was actually a committee, correct, 19 sir? 20 A. Yes. 21 Q. It actually was a committee you chaired, 22 right, co-chaired? 23 A. No, incorrect. 24 Q. The committee with the DEA -- the DEA</p>	<p style="text-align: right;">Page 28</p> <p>1 Q. How many meetings do you think there 2 were? 3 A. I think there were maybe four or five 4 meetings. 5 Q. Were there -- did you take notes on 6 those meetings or any memorialization of what 7 occurred during those meetings? 8 A. I'm not sure if NABP took notes on it. 9 I mean, we would have taken notes probably specific 10 towards -- 11 Q. And I'm sorry. What I asked you was did 12 you take notes? 13 A. Not that I recall. I mean, it's 14 possible I did, but I don't recall. 15 Q. Is it your general practice during 16 meetings you don't take any notes during meetings? 17 You just -- 18 A. When something is noteworthy I take a 19 note on it. 20 Q. So, there was nothing noteworthy that 21 occurred during four meetings with the NABP that 22 you recall taking any notes or keeping a file on? 23 A. I'm sure I took notes. I don't -- you 24 know, I don't recall what the notes would have been</p>
<p style="text-align: right;">Page 27</p> <p>1 compliance committee? 2 A. For NACDS I co-chaired it. I referred 3 to NABP, which I did not co-chair. That was a 4 consortium meeting. 5 Q. All right. So, while we're going 6 through these DEA communications, let's go ahead 7 and include all the different committees and task 8 forces and things you served on. Okay. 9 So, that was NABP, and you said that was 10 a series of meetings. A series of meetings 11 regarding what? 12 A. Well, through -- through NABP, they had 13 requested or brokered or arranged for a meeting of 14 many of the different pharmacy retailers along with 15 representatives from the DEA to discuss the 16 challenges around the opioid issues. 17 And Walgreens -- 18 Q. What time frame? I'm sorry. 19 A. Walgreens participated along with other 20 retailers. 21 Q. Sure. And what time frame was this? 22 A. Roughly speaking, probably 2012, 2013, 23 maybe '14. I don't know the specific time frame, 24 but there were a series of meetings.</p>	<p style="text-align: right;">Page 29</p> <p>1 about or what the purpose of the specific note 2 would have been but... 3 Q. Do you have a regular practice when you 4 take notes, you come back to the office and you ask 5 somebody to put those in a file for you so you can 6 refer to them until your next meeting with the 7 NABP? 8 A. No, that would not be a regular practice 9 of mine. 10 Q. So, you wouldn't store anything so the 11 next time you go to the meeting with the NABP you 12 would have a way to refresh your recollection of 13 what occurred at the last meeting, what the action 14 items were, nothing like that? 15 A. Well, these particular meetings were 16 also attended by with our attorneys. So, our 17 attorney would have been the one taking most of the 18 notes. 19 Q. Right. And -- but we already got back 20 to the fact that you might have taken some notes. 21 A. Yeah. 22 Q. I appreciate the fact that your counsel 23 took notes, but what I'm asking about is your 24 notes.</p>



<p style="text-align: right;">Page 30</p> <p>1 So, if you wanted to refer back to</p> <p>2 action items or what happened at the last meeting</p> <p>3 to refresh your memory so you went to the next one,</p> <p>4 you know, Mr. Swords knew what was going on. So</p> <p>5 how did you do that?</p> <p>6 A. I would -- you know, I may have taken a</p> <p>7 note. I don't recall.</p> <p>8 Q. Are there -- were there agendas that</p> <p>9 were issued for these meetings?</p> <p>10 A. I don't recall.</p> <p>11 Q. You don't recall. So, you think you</p> <p>12 just went in with counsel and NABP and everyone</p> <p>13 else and you just sat around a table and just kind</p> <p>14 of riffed and free formed it over the meetings</p> <p>15 or --</p> <p>16 MR. STOFFELMAYR: Objection.</p> <p>17 BY MR. MOUGEY:</p> <p>18 Q. -- do you actually think there were some</p> <p>19 agendas?</p> <p>20 MR. STOFFELMAYR: Objection to the form. Go</p> <p>21 ahead.</p> <p>22 BY THE WITNESS:</p> <p>23 A. The meetings were held. They were</p> <p>24 arranged by NABP. We attended those meetings.</p>	<p style="text-align: right;">Page 32</p> <p>1 I wasn't available for all of them.</p> <p>2 Q. I'm not asking about a specific. You</p> <p>3 said there was a series of them. Do you remember</p> <p>4 if there was ten? Do you remember if there was</p> <p>5 four? Do you remember if there was 20? Just</p> <p>6 generally.</p> <p>7 A. No, I don't remember.</p> <p>8 Q. You don't have any recollection of</p> <p>9 whether there was 20 or 2?</p> <p>10 A. I specifically said earlier that I</p> <p>11 believe there were four to six meetings or</p> <p>12 something.</p> <p>13 Q. You actually said three or four.</p> <p>14 A. Okay.</p> <p>15 Q. But four to six?</p> <p>16 MR. STOFFELMAYR: Objection to form. Don't</p> <p>17 argue with him.</p> <p>18 BY MR. MOUGEY:</p> <p>19 Q. Who else from Walgreens went with you to</p> <p>20 those meetings?</p> <p>21 A. Our counsel, Dwayne Piñon, and I believe</p> <p>22 occasionally Tasha Polster would have been</p> <p>23 attending.</p> <p>24 Q. We were talking about meetings with the</p>
<p style="text-align: right;">Page 31</p> <p>1 BY MR. MOUGEY:</p> <p>2 Q. And you don't recall if there was any</p> <p>3 agendas or lists or anything that you kept or</p> <p>4 anybody put together to give some structure to</p> <p>5 those meetings?</p> <p>6 A. I don't recall the specifics around the</p> <p>7 mechanics of the meeting.</p> <p>8 Q. I didn't ask you about specifics.</p> <p>9 Didn't ask you about mechanics. I just asked you:</p> <p>10 Do you recall, generally, agendas, lists, action</p> <p>11 items, anything that were kept in relation to those</p> <p>12 meetings?</p> <p>13 A. No, I don't recall that.</p> <p>14 Q. Do you have any recollection of how you</p> <p>15 would prepare for those meetings that you went to?</p> <p>16 I'm assuming you went to all three or four of the</p> <p>17 series of them that you -- that were held?</p> <p>18 A. No, I did not attend all of them.</p> <p>19 Q. How many of them do you recall that you</p> <p>20 attended?</p> <p>21 A. Maybe half of them.</p> <p>22 Q. So, one or two?</p> <p>23 A. Again, I don't recall the specific</p> <p>24 number. I know I didn't attend all of them because</p>	<p style="text-align: right;">Page 33</p> <p>1 DEA. Do you recall any other meetings, statements,</p> <p>2 any other interactions with the DEA?</p> <p>3 A. Outside the NABP meeting, no direct</p> <p>4 meetings with just -- just DEA.</p> <p>5 Q. Now, when I'm asking about DEA, and you</p> <p>6 just qualified that with "just DEA." So, anything</p> <p>7 where DEA was present other than the NABP meeting</p> <p>8 that you just referenced?</p> <p>9 A. Not that I recall.</p> <p>10 Q. Let me ask that a little bit different</p> <p>11 way.</p> <p>12 Any meetings with federal regulators</p> <p>13 including the Department of Justice regarding</p> <p>14 Walgreens' dispensing practices, suspicious order</p> <p>15 monitoring policies, anything along those lines?</p> <p>16 A. Not that I recall.</p> <p>17 (WHEREUPON, Jason Zhou, Esq. entered</p> <p>18 the deposition proceedings.)</p> <p>19 BY MR. MOUGEY:</p> <p>20 Q. Now, the series -- everything you've</p> <p>21 just walked me through, New Mexico, Arizona,</p> <p>22 anything that -- any of the meetings, the -- where</p> <p>23 you appeared in front of pharmacy boards, did all</p> <p>24 of that relate to dispensing practices at</p>

<p style="text-align: right;">Page 34</p> <p>1 Walgreens?                  2 A. Yes.                  3 Q. Do you have any experience prior to the                  4 creation of the Pharmaceutical Integrity Department                  5 at Walgreens in suspicious order monitoring                  6 policies or procedures?                  7 A. No.                  8 Q. I will hand you what I'm going to mark                  9 as Swords 1.                  10 (WHEREUPON, a certain document was                  11 marked as Walgreens-Swords Exhibit                  12 No. 1: Resume, Rex. A. Swords,                  13 R.Ph.; P-WAG-02115.)                  14 BY MR. MOUGEY:                  15 Q. This is a copy of your resume provided                  16 by counsel. Do you recognize this document?                  17 A. I do.                  18 Q. And is this an accurate copy of your --                  19 what appears to be your resume, sir?                  20 A. It is.                  21 Q. And is it current and up to date?                  22 A. It was as of this time, yes.                  23 Q. When you say "as of this time," it says                  24 January '18 to the present. So, within the last</p>	<p style="text-align: right;">Page 36</p> <p>1 long you were in pharmacy school. So, could you                  2 help me with --                  3 A. '86 to '89.                  4 Q. '86 to '89. Thank you.                  5 And that was when you were in pharmacy                  6 school?                  7 A. Correct.                  8 Q. Thank you. And after '86 to '89 while                  9 you were in pharmacy school, what was your next                  10 position at Walgreens?                  11 A. Staff pharmacist.                  12 Q. Staff pharmacist. And how long were you                  13 a staff pharmacist?                  14 A. '89, after licensing, to '91 maybe. A                  15 couple of years.                  16 Q. And then after '91, before pharmacy                  17 supervisor position in '93, what did you do?                  18 A. I was a pharmacy manager for Walgreens.                  19 Q. Until -- '91 till when?                  20 A. Until the position of the pharmacy                  21 supervisor.                  22 Q. '93. So, your pharmacy intern position                  23 was in New Mexico, staff pharmacist was also in                  24 New Mexico?</p>
<p style="text-align: right;">Page 35</p> <p>1 several months?                  2 A. Yeah.                  3 Q. Yeah. And, sir, you began at Walgreens                  4 in 1993, right?                  5 A. No.                  6 Q. No. When it says on the back of your                  7 resume, "Pharmacy Supervisor - New Mexico, Pharmacy                  8 Supervisor - Arizona," those were not Walgreens                  9 positions?                  10 A. Those were Walgreens positions. I have                  11 been employed --                  12 Q. So, when did you begin -- your resume                  13 doesn't go all the way back to the beginning of                  14 your career?                  15 A. That's correct.                  16 Q. Okay. So, when did you begin at                  17 Walgreens?                  18 A. 1986.                  19 Q. 1986. And what did you do at 1986 at                  20 Walgreens?                  21 A. I was a pharmacy intern.                  22 Q. And how long were you a pharmacy intern?                  23 A. While I was in pharmacy school.                  24 Q. That's good, but I don't understand how</p>	<p style="text-align: right;">Page 37</p> <p>1 A. Yes.                  2 Q. '91 to '93, where was that?                  3 A. Pharmacy manager position?                  4 Q. Yes, sir.                  5 A. New Mexico.                  6 Q. Thank you. So, the initial part of your                  7 career you were back and forth between New Mexico                  8 and Arizona up until January of 2001?                  9 A. Well, I wouldn't characterize it as back                  10 and forth. I moved from New Mexico to Arizona.                  11 Q. You went from one state to another state                  12 over a course of '86 to 2001, five years, you --                  13 one, two, three moves back and forth between                  14 Arizona and New Mexico, right?                  15 A. No. I lived in New Mexico and I moved                  16 to Arizona. I did not move back to New Mexico                  17 after Arizona.                  18 Q. So, you have been with -- I had it at 25                  19 years. You have to help me with the math.                  20 A. 32 years.                  21 Q. 32 years you've been at Walgreens?                  22 A. Yes, sir.                  23 Q. So, pretty much all the way from when                  24 you were in pharmacy school working on your</p>

<p style="text-align: right;">Page 38</p> <p>1 Bachelor of Pharmacy at University of New Mexico  2 all the way through today you've been at Walgreens,  3 correct?  4 A. That is correct.  5 Q. And is it fair to characterize your  6 career at Walgreens since January of 2009 roughly  7 till today as more of an operations role?  8 A. I'm not sure what you mean by  9 "operations role." I mean, I can walk you through  10 the resume if that's what you'd like to do.  11 Q. Let's do that. I was trying to make it  12 easy, but let's go ahead and walk through your  13 resume.  14 So, your first several roles were at the  15 pharmacy level day to day for the first several  16 years of your career, correct?  17 A. Correct.  18 Q. Where you filled roles you just walked  19 through, intern, staff pharmacist, manager,  20 pharmacy supervisor, store manager, all the way up  21 until January of 2001, correct?  22 A. Correct.  23 Q. And then beginning in 2001, again, this  24 isn't a memory test, just generally speaking, you</p>	<p style="text-align: right;">Page 40</p> <p>1 Q. Well, I mean, is it the entire  2 operation?  3 A. It's the whole store.  4 Q. It's the whole thing?  5 A. The whole store.  6 Q. The whole shooting match, right?  7 A. Yes.  8 Q. So, how many stores did you oversee when  9 you were in Cleveland?  10 A. I think when I left Cleveland, it was 32  11 to 35 stores, something like that.  12 Q. 32 to 35 stores. And how many stores in  13 Tucson?  14 A. Tucson would have been somewhere around,  15 you know, 30, 30 -- around 30 stores.  16 Q. Generally the same number?  17 A. Yeah.  18 Q. And your next role, actually your next  19 two roles included some component with the mail  20 service pharmacy, correct?  21 A. Correct.  22 Q. Would you explain to me what a mail  23 service pharmacy is.  24 A. They are a service where people who are</p>
<p style="text-align: right;">Page 39</p> <p>1 were more of a district manager level, correct?  2 A. Supervisor.  3 Q. Supervisor. And -- but if you look at  4 your resume, January of '01, Cleveland, Ohio,  5 pharmacy and district manager, right?  6 A. Correct.  7 Q. And that was in Cleveland until  8 February 2005, correct?  9 A. Correct.  10 Q. And explain to me what the -- your  11 district manager roles were from '01 to '06, just  12 generally speaking?  13 A. District managers for Walgreens at the  14 time were responsible for the pharmacy and retail  15 operations for the stores they oversaw.  16 Q. So, it was related to just the pharmacy  17 operations?  18 A. Pharmacy and store operations. Retail.  19 Q. Pharmacy and store operations?  20 A. Yes.  21 Q. Okay. Is there anything that's carved  22 out of pharmacy and store operations?  23 A. I'm not sure what you mean by "carved  24 out."</p>	<p style="text-align: right;">Page 41</p> <p>1 contracted with certain PBM or payer plans can  2 submit their prescriptions to a mail facility.  3 Those prescriptions are prepared and mailed and  4 returned to their home through U.S. Postal Service,  5 basically.  6 Q. In the description on your resume for  7 both, you referred to a -- I think a retail  8 component of the mail service, and I may have that  9 incorrect. Tell me if I'm wrong.  10 A. Which? Where are you referring to, sir?  11 Q. On page 2 of your resume, right in the  12 middle of the page, "Director, Central Pharmacy  13 Operations."  14 Do you see that?  15 A. I do.  16 Q. And the second -- I'm going to call it a  17 bullet although there is no bullet,  18 "Transactional" -- "Transitioned," rather, "two  19 mail service facilities to centralized facilities  20 supporting retail, mail and E-com business lines."  21 Do you see that?  22 A. Correct.  23 Q. Can you just explain to me what that  24 means?</p>

<p style="text-align: right;">Page 42</p> <p>1 A. Well, what I was referring to here is</p> <p>2 we -- we had two -- we at the time, we operated two</p> <p>3 mail facilities. That was part of my</p> <p>4 responsibility was the oversight of those two</p> <p>5 facilities, in addition to some centralization</p> <p>6 activities that support our retail stores,</p> <p>7 including the mail order business as well as our</p> <p>8 e-commerce business lines.</p> <p>9 Q. Tell me, explain to me generally what</p> <p>10 the scope of the mail service facilities was,</p> <p>11 meaning the types of products that were -- that you</p> <p>12 all managed in those facilities?</p> <p>13 A. Prescription pharmaceuticals, small</p> <p>14 amount of OTC products that would have been ordered</p> <p>15 on a physician's order, submitted to us either</p> <p>16 directly by the physician or by the patient. We</p> <p>17 would fulfill the orders for contracted plans and</p> <p>18 return the orders via mail or some other courier</p> <p>19 service.</p> <p>20 Q. These were -- these were large</p> <p>21 operations?</p> <p>22 A. They're large buildings, yes.</p> <p>23 Q. Yes, sir. And also contained</p> <p>24 Schedule II and Schedule III controlled substances,</p>	<p style="text-align: right;">Page 44</p> <p>1 A. I don't know of any policy around that.</p> <p>2 Q. You don't know -- and you spent from</p> <p>3 November of '06 to April of '11 in some form or</p> <p>4 fashion overseeing those facilities, correct?</p> <p>5 A. Correct.</p> <p>6 Q. And you have no understanding even</p> <p>7 generally of whether there was any suspicious order</p> <p>8 monitoring policy that was applicable to those mail</p> <p>9 service facilities?</p> <p>10 MR. STOFFELMAYR: Objection to the form.</p> <p>11 BY THE WITNESS:</p> <p>12 A. Suspicious order monitoring refers to</p> <p>13 the distribution of that. We weren't distributing.</p> <p>14 We were dispensing. So, it's not -- we didn't have</p> <p>15 a suspicious order monitoring policy at the</p> <p>16 dispensing side of the operation.</p> <p>17 BY MR. MOUGEY:</p> <p>18 Q. Covering anything having to do with your</p> <p>19 distribution responsibilities?</p> <p>20 A. We --</p> <p>21 MR. STOFFELMAYR: Objection to the form. Go</p> <p>22 ahead.</p> <p>23 BY THE WITNESS:</p> <p>24 A. Again, it wasn't -- we weren't</p>
<p style="text-align: right;">Page 43</p> <p>1 correct?</p> <p>2 A. Yes.</p> <p>3 Q. Including opiates, correct?</p> <p>4 A. Yes.</p> <p>5 Q. And, now, did the -- explain what, if</p> <p>6 any, interaction between Walgreens SOMs or</p> <p>7 suspicious order monitoring policies and orders for</p> <p>8 Schedule II and Schedule III opiates, how did that</p> <p>9 work at Walgreens?</p> <p>10 A. I didn't have that --</p> <p>11 MR. STOFFELMAYR: Objection to the form. Go</p> <p>12 ahead.</p> <p>13 BY THE WITNESS:</p> <p>14 A. I had no responsibility for it. I had</p> <p>15 no involvement on suspicious order monitoring.</p> <p>16 BY MR. MOUGEY:</p> <p>17 Q. Are you aware -- and that was a little</p> <p>18 different answer to the question than the question</p> <p>19 I asked.</p> <p>20 Was there a suspicious order monitoring</p> <p>21 policy at Walgreens overseeing the Schedule II and</p> <p>22 Schedule III controlled substances that were</p> <p>23 shipped out of those -- out of the mail service</p> <p>24 facilities?</p>	<p style="text-align: right;">Page 45</p> <p>1 distributing. We were dispensing on physician</p> <p>2 orders.</p> <p>3 BY MR. MOUGEY:</p> <p>4 Q. So, the answer to my question is no, we</p> <p>5 did not have any suspicious order monitoring policy</p> <p>6 regarding Walgreens' distributor responsibilities</p> <p>7 that you were aware of in the mail service</p> <p>8 facilities?</p> <p>9 MR. STOFFELMAYR: Objection to the form.</p> <p>10 BY THE WITNESS:</p> <p>11 A. Again, we weren't distributing. We were</p> <p>12 dispensing. We don't have a suspicious order</p> <p>13 monitoring policy around the dispensing, which is</p> <p>14 what I was responsible for.</p> <p>15 BY MR. MOUGEY:</p> <p>16 Q. I am a little confused by that, so help</p> <p>17 me out. I'm sorry if I'm a slow here. All right.</p> <p>18 So, you've overseen stores throughout</p> <p>19 your entire career, right?</p> <p>20 A. Yes.</p> <p>21 Q. Those are pharmacies when we say</p> <p>22 "stores," right?</p> <p>23 A. Yes.</p> <p>24 Q. And those dispense, correct?</p>

<p style="text-align: right;">Page 46</p> <p>1 A. Yes.</p> <p>2 Q. As a dispenser, Walgreens has its own</p> <p>3 responsibilities under the Controlled Substance Act</p> <p>4 as a dispenser, correct?</p> <p>5 A. That is correct.</p> <p>6 Q. And separate and apart from those</p> <p>7 responsibilities of Walgreens as a dispenser under</p> <p>8 the Controlled Substance Act, you're also aware</p> <p>9 that Walgreens has responsibilities under the</p> <p>10 Controlled Substance Act as a distributor, correct?</p> <p>11 A. I am -- I am aware of that, yes.</p> <p>12 Q. And those are separate and distinct</p> <p>13 responsibilities, correct?</p> <p>14 A. That's correct.</p> <p>15 Q. And are you generally familiar with</p> <p>16 Walgreens' responsibilities under the Controlled</p> <p>17 Substance Act as a dispenser?</p> <p>18 A. Yes.</p> <p>19 Q. Are you generally familiar with</p> <p>20 Walgreens' responsibilities under the Controlled</p> <p>21 Substance Act as a distributor?</p> <p>22 A. Yes.</p> <p>23 Q. Now, where I'm confused, and maybe my</p> <p>24 questions are a little inartful or a little slow</p>	<p style="text-align: right;">Page 48</p> <p>1 Q. Okay. And those stores or dispensaries</p> <p>2 are or interact with Walgreens as a distributor and</p> <p>3 Walgreens' suspicious order monitoring policies and</p> <p>4 procedures, correct?</p> <p>5 MR. STOFFELMAYR: Objection to the form.</p> <p>6 BY THE WITNESS:</p> <p>7 A. Walgreens stores dispense and we have</p> <p>8 previously operated as a distributor as well.</p> <p>9 BY MR. MOUGEY:</p> <p>10 Q. Yes, sir. And there are suspicious</p> <p>11 order monitoring policies and procedures that</p> <p>12 review and monitor the orders at Walgreens</p> <p>13 pharmacies, correct?</p> <p>14 A. Yes.</p> <p>15 Q. Now, maybe this is a terrible analogy,</p> <p>16 but the mail service facilities are just -- they</p> <p>17 are very large dispensaries that dispense hundreds</p> <p>18 of thousands, if not millions of Schedule II and</p> <p>19 Schedule III narcotics on a regular basis, correct?</p> <p>20 A. Well, they are -- they are large</p> <p>21 dispensaries. I wouldn't -- I don't know the exact</p> <p>22 amount of Schedule II or Schedule III narcotics</p> <p>23 that are coming out of there.</p> <p>24 Q. So --</p>
<p style="text-align: right;">Page 47</p> <p>1 because we got started early this morning, but</p> <p>2 there are Walgreens' suspicious order monitoring</p> <p>3 policies and procedures that are used from</p> <p>4 Walgreens as a distributor to identify suspicious</p> <p>5 orders at Walgreens as a dispenser or its stores,</p> <p>6 correct?</p> <p>7 MR. STOFFELMAYR: Objection to the form. Go</p> <p>8 ahead.</p> <p>9 BY THE WITNESS:</p> <p>10 A. There are processes for identifying</p> <p>11 suspicious orders from a distribution perspective.</p> <p>12 That's where your question was referencing was</p> <p>13 distribution.</p> <p>14 What I'm telling you is I'm aware of the</p> <p>15 dispensing requirements for the mail order</p> <p>16 facility. I didn't have a suspicious order</p> <p>17 monitoring responsibility for the mail order</p> <p>18 facilities.</p> <p>19 BY MR. MOUGEY:</p> <p>20 Q. And, again, I'm just being a little slow</p> <p>21 here, but you have -- what I'm asking is is that</p> <p>22 Walgreens has individual stores that are</p> <p>23 dispensers, correct?</p> <p>24 A. Yes.</p>	<p style="text-align: right;">Page 49</p> <p>1 (Clarification requested by the</p> <p>2 reporter.)</p> <p>3 BY THE WITNESS:</p> <p>4 A. Schedule II or Schedule III narcotics</p> <p>5 that are dispensed, I don't know the numbers.</p> <p>6 BY MR. MOUGEY:</p> <p>7 Q. Help me to understand why -- so, the</p> <p>8 mail service facilities I think you described as</p> <p>9 dispensaries, correct?</p> <p>10 A. Yes.</p> <p>11 Q. All right. So, why would there be a</p> <p>12 suspicious order monitoring policy that oversees,</p> <p>13 monitors, identifies suspicious orders at the</p> <p>14 retail store pharmacies, but not the mail service</p> <p>15 facility that still dispenses Schedule II and</p> <p>16 Schedule III opiates?</p> <p>17 MR. STOFFELMAYR: Objection to the form. Go</p> <p>18 ahead.</p> <p>19 BY THE WITNESS:</p> <p>20 A. Well, the same policy would apply to</p> <p>21 both. What I was referring to earlier was I had no</p> <p>22 responsibility for how that was -- the mechanics of</p> <p>23 that suspicious order monitoring process at the</p> <p>24 mail facility.</p>



<p style="text-align: right;">Page 50</p> <p>1 BY MR. MOUGEY:</p> <p>2 Q. Again, maybe it's just early and I</p> <p>3 haven't had enough coffee, but your answer to my</p> <p>4 question, before I said, "You have no</p> <p>5 understanding, even generally, of whether there was</p> <p>6 any suspicious order monitoring policy that was</p> <p>7 applicable to those mail service facilities?"</p> <p>8 And your answer to me was, "Suspicious</p> <p>9 order monitoring refers to the distribution of</p> <p>10 that. We weren't distributing. We were</p> <p>11 dispensing. So, we didn't have a suspicious order</p> <p>12 monitoring policy at the dispensing side of that</p> <p>13 operation."</p> <p>14 So, let's go back to that. Okay.</p> <p>15 That's where I got confused was that answer. Okay?</p> <p>16 So, is that the right answer, that we</p> <p>17 didn't have a suspicious order monitoring policy at</p> <p>18 the dispensing side of the operation, or is what I</p> <p>19 think the answer you just gave, and maybe I'm just</p> <p>20 misunderstanding, that we did have a suspicious</p> <p>21 order monitoring policy that monitored and</p> <p>22 identified potentially suspicious orders at the</p> <p>23 mail service facilities?</p> <p>24 A. There is a policy, but it's not</p>	<p style="text-align: right;">Page 52</p> <p>1 What department or person or whoever you can</p> <p>2 identify?</p> <p>3 A. Well, that would have been prior -- so,</p> <p>4 from the time of 2012-'13, somewhere in there,</p> <p>5 would have been the Pharmaceutical Integrity group.</p> <p>6 Q. Late '12, early '13 is when the</p> <p>7 Pharmaceutical Integrity group was initiated,</p> <p>8 correct?</p> <p>9 A. I believe that's the general dates.</p> <p>10 Q. All right.</p> <p>11 A. I don't know the specific dates.</p> <p>12 Q. After that -- I'm sorry. I didn't mean</p> <p>13 to interrupt you.</p> <p>14 A. I said I don't know the specific date.</p> <p>15 Q. Okay. So, I'm talking about the period</p> <p>16 prior to that. So, your resume, "Vice President,</p> <p>17 Walgreens, Mail Service Pharmacy, Walgreens Health</p> <p>18 Services, Deerfield, Illinois, November 2006 to</p> <p>19 November 8," first bullet on your resume,</p> <p>20 "Responsible for a business unit with over</p> <p>21 800 million of revenue, 100 million in profit and</p> <p>22 operating budget of over 30 million, dispensing</p> <p>23 7 million mail prescriptions per year," correct?</p> <p>24 That's what you got on your resume, right?</p>
<p style="text-align: right;">Page 51</p> <p>1 administered by the mail order facility. So, the</p> <p>2 folks at the mail order facility are not the ones</p> <p>3 that are administering the suspicious order</p> <p>4 monitoring policy at Walgreens.</p> <p>5 Q. So, it wasn't that you didn't have a</p> <p>6 suspicious order monitoring policy. It was just</p> <p>7 not employed at the mail service facilities?</p> <p>8 A. No. It was that we as in the people</p> <p>9 responsible for running the facilities weren't the</p> <p>10 ones administering the suspicious order monitoring</p> <p>11 process. That was a Walgreens.</p> <p>12 Q. Walgreens corporate?</p> <p>13 A. Yes.</p> <p>14 Q. Okay. So, there was a suspicious order</p> <p>15 monitoring policy that was used to identify and</p> <p>16 monitor suspicious orders at the mail service</p> <p>17 facilities that you were in charge of or from '06</p> <p>18 to 2011?</p> <p>19 A. There was one applied to those just like</p> <p>20 the retail stores, yes.</p> <p>21 Q. And -- thank you.</p> <p>22 So, now, who was in charge of or</p> <p>23 responsible for deploying the suspicious order</p> <p>24 monitoring policy at the mail service facilities?</p>	<p style="text-align: right;">Page 53</p> <p>1 A. Correct.</p> <p>2 Q. That's your responsibility, mail</p> <p>3 service, there were three different operations in</p> <p>4 '06, correct?</p> <p>5 A. Correct.</p> <p>6 Q. And you actually ultimately condensed</p> <p>7 those down to two, correct?</p> <p>8 A. That's correct.</p> <p>9 Q. All right. So in the beginning, let's</p> <p>10 start with year by year. '06, who do you believe,</p> <p>11 whether department or individual, was responsible</p> <p>12 for deploying the suspicious order monitoring</p> <p>13 policies over or interacting with the mail service</p> <p>14 facilities identifying suspicious orders?</p> <p>15 A. That would have been the distribution.</p> <p>16 Q. That's right. That would be the</p> <p>17 distribution. What department within distribution</p> <p>18 was responsible for deploying the suspicious order</p> <p>19 monitoring policies at the mail order facilities in</p> <p>20 2006?</p> <p>21 A. The distribution department.</p> <p>22 Q. There is a department called</p> <p>23 distribution?</p> <p>24 A. Supply chain.</p>

<p style="text-align: right;">Page 54</p> <p>1 Q. Supply chain.</p> <p>2 A. Distribution and supply chain.</p> <p>3 Q. All right. And can you give me any</p> <p>4 individual --</p> <p>5 A. As well as our wholesaler that we</p> <p>6 primarily used a wholesaler at the mail facility.</p> <p>7 Q. Okay. When you say you "used a</p> <p>8 wholesaler," you mean to supply?</p> <p>9 A. Yes.</p> <p>10 Q. In '06?</p> <p>11 A. Yes.</p> <p>12 Q. But that changed over time?</p> <p>13 A. Yes.</p> <p>14 Q. And actually it ended up being Walgreens</p> <p>15 supplying itself for a large block of time,</p> <p>16 correct?</p> <p>17 A. Not at the mail facilities. Mail</p> <p>18 facilities were operated a little differently than</p> <p>19 the retail facilities.</p> <p>20 Q. Had the mail service facilities remained</p> <p>21 under your purview as you moved up the food chain</p> <p>22 at Walgreens?</p> <p>23 A. Yes.</p> <p>24 Q. And you don't believe that Walgreens</p>	<p style="text-align: right;">Page 56</p> <p>1 referring to, though, is we always had a dual</p> <p>2 distribution -- a dual distributor supplier to the</p> <p>3 mail facilities. That was both heavily relied on a</p> <p>4 wholesaler as well as the Walgreen distribution</p> <p>5 network.</p> <p>6 Q. We'll get back to that later.</p> <p>7 So, now we're in '06 and we're talking</p> <p>8 about who oversaw the distribution supply chain,</p> <p>9 and that was the specific departments that you</p> <p>10 referred me to, correct, distribution or the supply</p> <p>11 chain department that was responsible for deploying</p> <p>12 the suspicious order monitoring policies to</p> <p>13 identify suspicious orders at the mail order</p> <p>14 facilities, correct?</p> <p>15 MR. STOFFELMAYR: Objection to the form.</p> <p>16 BY THE WITNESS:</p> <p>17 A. Correct.</p> <p>18 BY MR. MOUGEY:</p> <p>19 Q. And do you have any individual --</p> <p>20 MR. STOFFELMAYR: Pause to give me a second.</p> <p>21 Go ahead. I apologize.</p> <p>22 BY MR. MOUGEY:</p> <p>23 Q. Do you have an individual that you</p> <p>24 recall in '06 that you interacted with that was</p>
<p style="text-align: right;">Page 55</p> <p>1 ever supplied itself in those mail service</p> <p>2 facilities?</p> <p>3 A. No. That's not what I said.</p> <p>4 Q. Okay. I'm trying to understand.</p> <p>5 A. We used more wholesaling than our retail</p> <p>6 stores would have used because time of delivery.</p> <p>7 We would -- we received deliveries twice a day.</p> <p>8 Typical Walgreens store would receive deliveries</p> <p>9 once a week. So, different operating model. So, a</p> <p>10 little different usage.</p> <p>11 Q. So, again, I apologize. I probably just</p> <p>12 don't understand the jargon. But when I asked you</p> <p>13 earlier just a minute ago, I said Walgreens</p> <p>14 supplied itself for large blocks of time at the</p> <p>15 mail facilities; and I think your answer you said</p> <p>16 not at the mail facilities, they were operated a</p> <p>17 little differently.</p> <p>18 So, did Walgreens, in your understanding</p> <p>19 ever supply itself in the mail facility space?</p> <p>20 A. Yes.</p> <p>21 Q. Okay. And it changed, the distribution</p> <p>22 model changed at the mail service facilities over</p> <p>23 time, right?</p> <p>24 A. It has changed over time. What I'm</p>	<p style="text-align: right;">Page 57</p> <p>1 responsible for the suspicious order monitoring</p> <p>2 policies deployed at the mail service facilities?</p> <p>3 A. No. I don't recall.</p> <p>4 Q. All right. Now, let's broaden that time</p> <p>5 period up.</p> <p>6 When from '06 until when do you believe</p> <p>7 that the distribution supply chain was responsible</p> <p>8 for deploying the suspicious order monitoring</p> <p>9 policies to identify suspicious orders over the</p> <p>10 mail service facilities?</p> <p>11 MR. STOFFELMAYR: Objection to the form.</p> <p>12 BY THE WITNESS:</p> <p>13 A. Prior to the formation of the</p> <p>14 Pharmaceutical Integrity company --</p> <p>15 BY MR. MOUGEY:</p> <p>16 Q. Right.</p> <p>17 A. -- it would have been the responsibility</p> <p>18 of the supply chain and distribution.</p> <p>19 Q. Okay. So, the answer to that question</p> <p>20 is kind of easy. From '06 to Pharmaceutical</p> <p>21 Integrity, it was kind of one department you're</p> <p>22 putting under the label of distribution/supply</p> <p>23 chain that was responsible for implementing</p> <p>24 Walgreens' suspicious order monitoring policies and</p>

<p style="text-align: right;">Page 58</p> <p>1 procedures to identify suspicious orders at the  2 mail service facility?  3 MR. STOFFELMAYR: Objection to the form. Go  4 ahead.  5 BY THE WITNESS:  6 A. Correct.  7 BY MR. MOUGEY:  8 Q. And do you, sir, have an understanding  9 of generally what the metrics were during -- from  10 '06 to '11 -- I'm sorry -- '06 to the beginning of  11 Pharmaceutical Integrity, of what the metrics were  12 for that suspicious order monitoring policy or  13 procedure?  14 A. No.  15 Q. Not even generally?  16 A. Not even generally.  17 Q. Do you have any recollection of any  18 interaction as vice president responsible for this  19 business unit, do you have recollection of any  20 interaction with the individuals from supply chain  21 regarding the suspicious order monitoring policies  22 and procedures at Walgreens mail service  23 facilities?  24 A. No.</p>	<p style="text-align: right;">Page 60</p> <p>1 that last question with "prior to the  2 Pharmaceutical Integrity Department" because the  3 Pharmaceutical Integrity Department, once it was  4 created, was under your purview, correct, sir?  5 A. That's correct.  6 Q. And tell me what the genesis of that  7 decision. How did you become responsible for the  8 Pharmaceutical Integrity Department?  9 A. Well, at the time I was vice president  10 of pharmacy services for the company and this was  11 viewed as part of a service support operation and  12 so that's why it was -- it rolled into my  13 organization.  14 Q. Can you expand more on your answer of  15 why Pharmaceutical Integrity was a service support  16 operation?  17 A. Well, it's sort of a shared services  18 operation. It's supporting a corporate function,  19 not an individual business function. So...  20 Q. What do you mean by "shared service"?  21 A. It's something that is applied broadly  22 across the organization.  23 Q. Would you consider Pharmaceutical  24 Integrity to be a compliance function?</p>
<p style="text-align: right;">Page 59</p> <p>1 Q. No one ever came to you in your '06 to  2 April '11 when you were directly responsible for  3 these mail service facilities and asked about one  4 single order asking you to explain or for more  5 information regarding any line of business from the  6 supply chain group or department about a  7 potentially suspicious order?  8 A. Not that I recall.  9 Q. Do you recall receiving any reports from  10 supply chain regarding suspicious orders that were  11 flagged as part of the Walgreens' suspicious order  12 monitoring policies and procedures?  13 A. Not that I recall.  14 Q. So, really sitting here today, you have  15 no understanding of anything generally or specific  16 about Walgreens' suspicious order monitoring  17 policies that were used at the mail service  18 facilities that you oversaw?  19 MR. STOFFELMAYR: Objection to the form.  20 BY THE WITNESS:  21 A. Prior to the formation of Pharmaceutical  22 Integrity, no.  23 BY MR. MOUGEY:  24 Q. Okay. Thank you. Now, you prefaced</p>	<p style="text-align: right;">Page 61</p> <p>1 A. I -- you may be able to characterize it  2 at that.  3 Q. I'm not trying to characterize it. I'm  4 asking you.  5 Is it a -- is it a -- is it a compliance  6 function? Is Pharmaceutical Integrity group a  7 compliance function?  8 MR. STOFFELMAYR: Objection to the form. Go  9 ahead.  10 BY THE WITNESS:  11 A. I would probably call it more of a  12 monitoring function. But...  13 BY MR. MOUGEY:  14 Q. What's the difference between compliance  15 versus monitoring?  16 MR. STOFFELMAYR: Objection to the form.  17 BY THE WITNESS:  18 A. I'm -- my -- you know, my thought is  19 what their job is they monitor what's going on and  20 report, you know, act on those things.  21 BY MR. MOUGEY:  22 Q. Monitoring what is going on. Okay.  23 So, how much day-to-day knowledge did  24 you have of the workings of the Pharmaceutical</p>

<p style="text-align: right;">Page 62</p> <p>1 Integrity Department?</p> <p>2 A. Well, it was one --</p> <p>3 MR. STOFFELMAYR: Excuse me. Objection to the</p> <p>4 form. Go ahead.</p> <p>5 BY THE WITNESS:</p> <p>6 A. It was one of my responsibilities. So,</p> <p>7 you know, I would -- I had a manager over that. I</p> <p>8 had staff over there that would handle the</p> <p>9 day-to-day operations of that. I would say I was</p> <p>10 involved more at a, you know, a high -- you know, a</p> <p>11 higher level, so to speak, bigger issues, those</p> <p>12 kind of things.</p> <p>13 BY MR. MOUGEY:</p> <p>14 Q. Did you have an understanding of --</p> <p>15 let's do it this way.</p> <p>16 What is your just general description of</p> <p>17 what Pharmaceutical Integrity Department did?</p> <p>18 A. They would review and monitor orders and</p> <p>19 dispensing habits of the pharmacy, and then</p> <p>20 intervene in those where they -- where they had a</p> <p>21 reason to look more closely at something. So, they</p> <p>22 were supporting the stores.</p> <p>23 Q. Did you say "they were supporting the</p> <p>24 stores"?</p>	<p style="text-align: right;">Page 64</p> <p>1 Integrity is listed underneath that description,</p> <p>2 correct?</p> <p>3 A. That is correct.</p> <p>4 Q. And you include Pharmaceutical Integrity</p> <p>5 as a key operational and functional support area</p> <p>6 "charged with the delivery of creative solutions</p> <p>7 and industry leading innovation in support for</p> <p>8 store operations," correct?</p> <p>9 A. I characterized it?</p> <p>10 Q. That's your resume I just read, right?</p> <p>11 A. Where do you see that, sir?</p> <p>12 Q. Under "Divisional Vice President" at the</p> <p>13 top of the page. So, if it helps, sometimes this</p> <p>14 screen in front of you has the section I am reading</p> <p>15 highlighted to kind of point you to the section.</p> <p>16 So, you see the language --</p> <p>17 A. Yes.</p> <p>18 Q. -- "Responsible for key operational and</p> <p>19 functional support areas and charged with the</p> <p>20 delivery of creative solutions and industry leading</p> <p>21 innovation in support for store operations."</p> <p>22 Correct?</p> <p>23 A. That's what it says, yes.</p> <p>24 Q. And one of the bullets underneath of</p>
<p style="text-align: right;">Page 63</p> <p>1 A. Yes.</p> <p>2 Q. So, is that how you characterize, just</p> <p>3 generally speaking, Pharmaceutical Integrity is</p> <p>4 that their function was to support the stores?</p> <p>5 A. Support activity of the stores, yes.</p> <p>6 Q. What do you mean by "activity"?</p> <p>7 A. Well, their primary role is around</p> <p>8 controlled substances. So, stores dispense, order</p> <p>9 controlled substances.</p> <p>10 The Pharmaceutical Integrity's role is</p> <p>11 to monitor that activity, resolve issues around</p> <p>12 that activity, working both with our supplier</p> <p>13 partners as well as the stores.</p> <p>14 Q. Now, would you characterize each one of</p> <p>15 these moves on your resume as kind of moving up the</p> <p>16 corporate ladder or promotions from step to step to</p> <p>17 step?</p> <p>18 A. No. That's not how I would characterize</p> <p>19 it. There are several lateral moves here.</p> <p>20 Q. So, you have under top of page 2 of your</p> <p>21 resume, "Divisional Vice President, Pharmacy</p> <p>22 Services." You have specifically identified that</p> <p>23 you were "responsible for key operational and</p> <p>24 function support areas," and Pharmaceutical</p>	<p style="text-align: right;">Page 65</p> <p>1 that description is Pharmaceutical Integrity,</p> <p>2 correct?</p> <p>3 A. As one of the business lines that I was</p> <p>4 responsible for, yes.</p> <p>5 Q. Yes, sir. And that description is on</p> <p>6 your resume that Pharmaceutical Integrity is a</p> <p>7 group responsible for supporting and delivering</p> <p>8 operational components for stores, correct?</p> <p>9 A. Correct.</p> <p>10 Q. Now, I've looked through your resume</p> <p>11 here, and it's very impressive, but I don't see the</p> <p>12 word "compliance" anywhere in your resume or</p> <p>13 "monitoring" anywhere in your resume. Am I</p> <p>14 incorrect?</p> <p>15 Is there a compliance or a monitoring</p> <p>16 function or regulatory function anywhere in your</p> <p>17 resume?</p> <p>18 A. There is not.</p> <p>19 Q. There is not. So, you would not</p> <p>20 characterize Pharmaceutical Integrity as a</p> <p>21 compliance function or a monitoring function,</p> <p>22 correct?</p> <p>23 MR. STOFFELMAYR: Objection to the form.</p> <p>24 BY THE WITNESS:</p>

<p style="text-align: right;">Page 66</p> <p>1 A. Well, I previously said it was a  2 monitoring function.  3 BY MR. MOUGEY:  4 Q. Right. But when you sit down to put  5 together a resume like you did here, yours is two  6 and a half pages long, very detailed,  7 single-spaced, you didn't choose to describe, when  8 you are putting together your CV or your resume  9 here, any monitoring or compliance function,  10 correct?  11 A. There is no compliance or monitoring  12 listed --  13 Q. Yes, sir.  14 A. -- as a specific function in my resume.  15 Q. But today, as you're testifying in front  16 of this jury about Walgreens' role and its  17 suspicious order monitoring policies, today the  18 description is "monitoring" but it doesn't appear  19 anywhere in your resume, correct?  20 A. It does not appear in the resume.  21 Q. All right. So, sir, would you agree  22 with me that Pharmaceutical Integrity was created  23 in late 2012 in response to investigations by the  24 DEA?</p>	<p style="text-align: right;">Page 68</p> <p>1 planning, correct, sir?  2 A. That's correct.  3 Q. And that was December '14 to  4 December 2017, correct?  5 A. Correct.  6 Q. And did the Pharmaceutical Integrity  7 group, was it still under your reporting structure  8 from '14 to '17?  9 A. Yes.  10 Q. Now, and I skipped a step. I apologize.  11 As your previous entry on page 2 at the  12 top of the page from May '11 to February of '14,  13 did part of your responsibilities still include the  14 oversight of the mail service facilities?  15 A. Yes.  16 Q. And, so, you generally had an  17 understanding at a higher level of what was going  18 on at the mail service facilities, correct?  19 A. Yes.  20 Q. And I believe in your CV or your resume  21 you tout some of the efficiencies that you  22 implemented to save Walgreens' money, correct?  23 A. Yes.  24 Q. And as a matter of fact, if we were to</p>
<p style="text-align: right;">Page 67</p> <p>1 A. Yes.  2 Q. And would you agree with me that the  3 primary role of Pharmaceutical Integrity was  4 designed to identify suspicious orders and report  5 those to the DEA?  6 A. That would have been one of the  7 responsibilities.  8 Q. Another one of the responsibilities of  9 Pharmaceutical Integrity Department was to perform  10 due diligence on those suspicious orders, correct,  11 sir?  12 A. Yes.  13 Q. And you would agree with me, sir, that  14 Walgreens' responsibility was to perform due  15 diligence on those suspicious orders prior to being  16 shipped, correct?  17 MR. STOFFELMAYR: Objection to the form.  18 BY THE WITNESS:  19 A. Yes.  20 BY MR. MOUGEY:  21 Q. Now, after your divisional vice  22 president, pharmacy services from May 2011 to  23 February of 2014, your next title was vice  24 president, pharmacy and retail operations and</p>	<p style="text-align: right;">Page 69</p> <p>1 go through line by line by line of your resume,  2 there are several examples you give during your  3 tenure at Walgreens about saving money to the  4 bottom line of Walgreens, correct?  5 A. Yes.  6 Q. And many of those were due to  7 efficiencies, correct?  8 A. Yes.  9 Q. And those efficiencies could have been  10 technology, correct?  11 A. Yes.  12 Q. They were consolidation like the mail  13 service facilities where you took three into two  14 and created economies of scale, correct?  15 A. Yes.  16 Q. There are example after example after  17 example of Mr. Swords at Walgreens doing a good job  18 saving Walgreens money, correct?  19 A. Yes.  20 MR. STOFFELMAYR: Objection to the form.  21 BY MR. MOUGEY:  22 Q. I'm sorry. Yes?  23 A. Yes.  24 Q. And increasing the bottom line profits</p>



<p style="text-align: right;">Page 70</p> <p>1 of Walgreens, correct?</p> <p>2 MR. STOFFELMAYR: Objection to the form.</p> <p>3 BY THE WITNESS:</p> <p>4 A. Yes.</p> <p>5 Q. And you've come from your days at an</p> <p>6 intern as a kid starting Bachelor of Pharmacy,</p> <p>7 University of New Mexico in Albuquerque, to here in</p> <p>8 Chicago or right outside of Chicago, have made a</p> <p>9 considerable progression up the corporate ladder at</p> <p>10 Walgreens, correct?</p> <p>11 A. Yes.</p> <p>12 Q. And you've been provided handsomely in</p> <p>13 compensation as you moved up the food chain,</p> <p>14 correct, sir?</p> <p>15 A. Well, I don't know what your definition</p> <p>16 of "handsomely" is, but I have received raises as</p> <p>17 I've gone along.</p> <p>18 Q. Yes, sir. And you make a good living at</p> <p>19 Walgreens, correct?</p> <p>20 A. I make a fair living, yes.</p> <p>21 Q. Yes, sir. You receive options on</p> <p>22 stocks?</p> <p>23 A. I do.</p> <p>24 Q. Yes, sir. So, you profit if Walgreens</p>	<p style="text-align: right;">Page 72</p> <p>1 9:13 a.m.</p> <p>2 (WHEREUPON, a recess was had</p> <p>3 from 9:13 to 9:23 a.m.)</p> <p>4 THE VIDEOGRAPHER: We are back on the record</p> <p>5 at 9:23 a.m.</p> <p>6 BY MR. MOUGEY:</p> <p>7 Q. All right, Mr. Swords. During your</p> <p>8 tenure at Walgreens you served on the DEA</p> <p>9 compliance committee formation or DEA compliance</p> <p>10 committee, rather, that included issues related to</p> <p>11 controlled substances, more specifically</p> <p>12 Schedule II and Schedule III opiates, correct?</p> <p>13 A. Are you referring to the NACDS?</p> <p>14 Q. Well, you tell me.</p> <p>15 A. Well, I'm not sure which -- I'm not sure</p> <p>16 which one you're referring to.</p> <p>17 Q. Well, tell me which ones there are out</p> <p>18 there. Tell me how many different committees did</p> <p>19 you refer -- did you sit on that related to DEA</p> <p>20 compliance that covered the topics of Schedule II</p> <p>21 and Schedule III controlled substances including</p> <p>22 opiates?</p> <p>23 A. I participated and co-chaired the NACDS.</p> <p>24 Q. Okay.</p>
<p style="text-align: right;">Page 71</p> <p>1 profits through the stock options, correct?</p> <p>2 A. Yes.</p> <p>3 Q. And the way those work is you get</p> <p>4 options as part of your compensation package to</p> <p>5 purchase Walgreens stock at a specific price,</p> <p>6 right?</p> <p>7 A. That's correct.</p> <p>8 Q. And if the price of the stock continues</p> <p>9 to rise, Mr. Swords makes money on the continued</p> <p>10 upswing of Walgreens stock, correct?</p> <p>11 A. Just like every shareholder.</p> <p>12 Q. Yes, sir. So, the more money Walgreens</p> <p>13 makes, the more money Mr. Swords makes, correct?</p> <p>14 MR. STOFFELMAYR: Objection to the form. Go</p> <p>15 ahead.</p> <p>16 BY THE WITNESS:</p> <p>17 A. Yes.</p> <p>18 BY MR. MOUGEY:</p> <p>19 Q. Now --</p> <p>20 MR. STOFFELMAYR: When you get to a good spot,</p> <p>21 it's been about an hour.</p> <p>22 MR. MOUGEY: Perfect spot. How long?</p> <p>23 MR. STOFFELMAYR: Like five minutes.</p> <p>24 THE VIDEOGRAPHER: We are off the record at</p>	<p style="text-align: right;">Page 73</p> <p>1 A. And then I participated in the NABP.</p> <p>2 Q. Help me to understand. Were these both</p> <p>3 kind of compliance-related committees?</p> <p>4 A. I don't know that I'd characterize them</p> <p>5 as compliance. They were meetings to get together</p> <p>6 with a collaboration of other pharmacy retailers to</p> <p>7 discuss ongoing challenges, operating issues around</p> <p>8 the controlled substance.</p> <p>9 Q. Collaboration, challenges, but not</p> <p>10 compliance, correct?</p> <p>11 MR. STOFFELMAYR: Objection to the form.</p> <p>12 BY THE WITNESS:</p> <p>13 A. There were -- there were certainly</p> <p>14 discussions around compliance with respect to what</p> <p>15 the DEA was bringing up, you know, the issues the</p> <p>16 DEA was raising.</p> <p>17 BY MR. MOUGEY:</p> <p>18 Q. Tell me what time frame you co-chaired</p> <p>19 or were on the NACDS committee.</p> <p>20 A. I'm not sure of the specific dates, but</p> <p>21 I believe the committee ran for 18 months or so.</p> <p>22 Q. All right. And during what time period</p> <p>23 was that 18 months?</p> <p>24 A. Again, I'm not sure of the specific</p>

<p style="text-align: right;">Page 74</p> <p>1 dates, but I seem to recall it was 2012 to 2014 or  2 something around there.</p> <p>3 Q. And NABP, how long did you serve on that  4 committee?</p> <p>5 A. Well, again, that wasn't really a  6 committee. That was an invite from NABP for  7 retailers to join in a discussion with the DEA. We  8 were one of the retailers that would attend.</p> <p>9 Q. And how long a period of time were you  10 attending meetings with the NABP and the DEA?</p> <p>11 A. Like I previously stated, we -- I recall  12 a number of meetings that occurred, three to six.  13 I attended some of those meetings, not all of them.  14 You know, I don't know the specific time frame of  15 that. Generally speaking --</p> <p>16 Q. 2001 or was it, you know, 2011, 2012,  17 '13? Just give me a general time frame.</p> <p>18 A. Well, again, I believe they were around  19 the time frame of 2012 to 2014, 2015. Again, I  20 don't -- I don't know the specific dates of the  21 meetings.</p> <p>22 Q. And just to make clear, I'm not asking  23 you did they start on September 21, 2011 and go to  24 October 13 of 2013. So, when I use the word "time</p>	<p style="text-align: right;">Page 76</p> <p>1 regarding a DEA compliance committee, you would  2 think that the -- one of the topics at this -- of  3 this committee would be compliance, right?</p> <p>4 A. Yes.</p> <p>5 Q. And it was or references you as one of  6 the members of that committee, correct?</p> <p>7 A. That's what the statement says here,  8 yes.</p> <p>9 Q. And if we actually read the memo dated  10 3/1/2012, "As one of the nation's largest  11 healthcare providers, Walgreens supports the  12 government's mission of promoting economy,  13 efficiency, effectiveness in the delivery of  14 healthcare services."</p> <p>15 Do you see that, sir?</p> <p>16 A. I do.</p> <p>17 Q. "As part of an effective proactive  18 compliance program, we have initiated the DEA  19 Compliance Committee to assure continuing  20 compliance with the regulations established with  21 the U.S. Drug Enforcement Administration, the DEA."</p> <p>22 Do you see that, sir?</p> <p>23 A. I do.</p> <p>24 Q. And you've been invited to participate</p>
<p style="text-align: right;">Page 75</p> <p>1 frame," I'm just asking you for just a time frame,  2 an annual, just generally a time frame.</p> <p>3 A. Well, I'm struggling to give you that  4 time frame in even that respect, the year. I don't  5 know the specific year that some of these occurred  6 in. I'm doing my best to answer your question with  7 respect to the time frame. I don't know what the  8 dates were.</p> <p>9 Q. I will hand you what I'm going to mark  10 as Swords 2.</p> <p>11 (WHEREUPON, a certain document was  12 marked as Walgreens-Swords Exhibit  13 No. 2: 3/1/12 e-mail;  14 WAGFLDEA00001536.)</p> <p>15 BY MR. MOUGEY:</p> <p>16 Q. Purports to be an -- this is an internal  17 document from Walgreens, Bates numbered  18 WAGFLDEA1536, is from Laura Merten. Do you know  19 who Laura Merten is?</p> <p>20 A. I do.</p> <p>21 Q. And Laura Merten is Walgreens', at this  22 point in time, chief compliance officer, correct?</p> <p>23 A. She was.</p> <p>24 Q. And if Ms. Merten is sending a memo</p>	<p style="text-align: right;">Page 77</p> <p>1 in this important initiative, correct?</p> <p>2 A. That's what it says, yes.</p> <p>3 Q. And according to Ms. Merten, "It is our  4 plan to hold meetings quarterly, although we may  5 have a more frequent schedule as we establish our  6 agenda."</p> <p>7 Do you see that, sir?</p> <p>8 A. I do.</p> <p>9 Q. And did you, in fact, sir, continue  10 from -- did you agree to serve as co-chair of this  11 committee?</p> <p>12 A. No, I did not.</p> <p>13 Q. And Dave Lovejoy, who is Dave Lovejoy?</p> <p>14 A. He was my boss at the time.</p> <p>15 Q. He was your boss.</p> <p>16 And let's go through each one of these.</p> <p>17 A. Okay.</p> <p>18 Q. So, Dave Lovejoy was your boss.  19 And Suzanne Hansen, who was that?</p> <p>20 A. She was at this time group vice  21 president of pharmacy operations.</p> <p>22 Q. Suzanne Hansen at this time was pharmacy  23 operations?</p> <p>24 A. Correct.</p>

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1 Q. I don't mean this in any like -- I'm not  
2 trying to be disparaging or negative in any way.  
3 In banking, financial services, the  
4 "vice president" sometimes gets doled out to  
5 everybody, right?  
6 A. Yeah.  
7 Q. I don't mean that disrespectfully.  
8 At Walgreens that to me seems to be a  
9 fairly senior designation as VP of certain business  
10 operations.  
11 Was she head of pharmacy operations or  
12 did she have -- is there like a president above  
13 her?  
14 A. She would have reported to Kermit  
15 Crawford, president of pharmacy operations.  
16 Q. VP of pharmacy operations would be the  
17 second person?  
18 A. No. As I said, she was the group vice  
19 president of pharmacy operations.  
20 Q. I missed the word "group." Okay. So,  
21 what group?  
22 A. That's just -- that's a title. So,  
23 group vice president. So, she had many other  
24 responsibilities. Pharmacy operations would have

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1 been one of them.  
2 Q. I'm having a little trouble with the org  
3 structure at Walgreens, and I'm confident there is  
4 some variations and tweaks over time. But has it  
5 generally remained the same over time, when I say  
6 "over time," over the last, say, ten years?  
7 A. I would say that's a fair statement,  
8 yeah.  
9 Q. Do you mind just kind of walking me  
10 through some of the different if you call them  
11 groups or divisions, just give me a little bit of  
12 the thumbnail sketch of the org structure at  
13 Walgreens. I'm assuming you are familiar with  
14 that?  
15 A. I am.  
16 Q. Okay. Would you mind walking me through  
17 that.  
18 A. Sure. So, prior to the merger with  
19 Boots, there would largely have been two separate  
20 business units: store operations and pharmacy  
21 operations.  
22 Each one of those respective  
23 organizations had a president over those  
24 operations. Pharmacy operations would have been

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1 Kermit Crawford. Store operations would have been  
2 Mark Wagner. Both those gentlemen would have  
3 reported in to the CEO at the time, Greg Wasson.  
4 Underneath them are varying  
5 responsibilities. As I referred here, group vice  
6 president, Suzanne Hansen, group vice president,  
7 Dave Lovejoy, both reported in to Kermit Crawford.  
8 Q. Would you -- I'm sorry if you already  
9 told me this. But which groups is both Ms. Hansen  
10 and Mr. Lovejoy?  
11 A. So, Suzanne would have been group vice  
12 president of pharmacy operations.  
13 Q. Okay.  
14 A. Dave Lovejoy would have been group vice  
15 president of pharmacy services.  
16 Q. All right. How many more groups were  
17 there under the pharmacy umbrella?  
18 A. I don't know all of them. There would  
19 have certainly been some purchasing groups  
20 underneath there.  
21 Q. Inventory?  
22 A. Yes. Other functions.  
23 Q. Okay. And I have the org chart for the  
24 pharmacy, but I didn't know how many of them there

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1 were. I couldn't get a feel for globally.  
2 So, on the store operations side, there  
3 is also groups under the store operations?  
4 A. Similar, similar parallel.  
5 Q. Four, five, six, seven, ten, somewhere,  
6 each side had groups underneath them?  
7 A. Exactly.  
8 Q. Okay. Fair enough. And your -- you  
9 started off with the explanation, I think you said,  
10 before the merger with Boots?  
11 A. Yes.  
12 Q. Okay. I don't remember when the Boots  
13 merger was. Can you help me?  
14 A. Four years ago.  
15 Q. Four years ago. So, that's roughly  
16 around '14?  
17 A. Yeah.  
18 Q. Okay. How long has Mr. Lovejoy been  
19 your direct report in your various roles?  
20 A. Well, he was never my direct report. I  
21 reported to him.  
22 Q. I'm sorry. I said it backwards. Yes,  
23 you reported.  
24 How long did you report directly to him?

<p style="text-align: right;">Page 82</p> <p>1 A. Maybe a year and a half, a year,  2 something like that.  3 Q. Okay. So, I went back to your resume  4 for a second.  5 Pharmacy and retail operations, pharmacy  6 services. Are those groups underneath the pharmacy  7 or are those even subgroups further down the org  8 structure?  9 A. Those are groups underneath the  10 pharmacy.  11 Q. Okay. So, store operations is when I  12 walk into Walgreens and there is all kinds of stuff  13 on the shelves and the pharmacy is in the back, I'm  14 assuming store operations is predominantly  15 everything besides the pharmacy?  16 A. Yeah, that's a --  17 Q. Fair enough.  18 A. Generally speaking, yes.  19 Q. So, let's stick with pharmacy for a  20 second, and I'm going to go back to your CV so I  21 kind of understand this a little bit better.  22 I'll tell you what. I'm going to come  23 back because I'm going to pull the org charts and  24 I'm going to come back and I think that will make</p>	<p style="text-align: right;">Page 84</p> <p>1 at pharmaceutical purchasing.  2 Q. Okay. And Dan Coughlin?  3 A. He was supply chain distribution.  4 Q. And that's under which umbrella?  5 A. Separate division.  6 Q. I thought there was kind of two  7 umbrella, store operations and pharmacy?  8 A. For the retail operations side, but  9 there are -- marketing is there. You've got  10 distribution supply chain. You've got -- those all  11 would roll up to Greg Wasson as well. They had all  12 separate leaders outside Kermit or...  13 Q. Do you remember, outside of marketing  14 and distribution supply chain, where else, what  15 other umbrellas or structure that reported directly  16 in to Mr. Wasson?  17 A. No. I mean, legal would have been one.  18 Q. Okay.  19 A. I mean, I don't know all the -- I don't  20 know what all Greg's direct report line was.  21 Q. Let me make sure I -- we have five I  22 think. Pharmacy, store operations, marketing,  23 distribution/supply and legal. Is that fair?  24 A. There is probably a property one in</p>
<p style="text-align: right;">Page 83</p> <p>1 it easier for both of us so it's not a memory test.  2 All right?  3 A. Okay.  4 Q. All right. So we were on Swords 2,  5 Bates No. 1536, and we were going through these  6 folks with Ms. Hansen, Mr. Lovejoy. Who is Tim  7 Gorman?  8 A. Tim was a, I believe at this time, a  9 senior director in our loss prevention/asset  10 protection.  11 Q. Okay. And that's another group under  12 pharmacy?  13 A. No. That's separate outside pharmacy.  14 It would have -- at that time that would have  15 reported in to store operations.  16 Q. Okay. And how about Mr. Gates?  17 A. I'm not sure what Rick's position was at  18 this time, but likely he was on the store  19 operations side at that point. But, again, I don't  20 have his...  21 Q. You don't remember exactly?  22 A. I don't remember exactly.  23 Q. How about Frank DeStefano?  24 A. He would have been over our purchasing</p>	<p style="text-align: right;">Page 85</p> <p>1 there as well. Store property. But, again, I  2 don't --  3 Q. There's more. The five or six we've  4 just identified were direct reports according to  5 whatever you can remember?  6 A. Yes.  7 Q. And, now, when you just mentioned  8 distribution and supply, let me go back to your  9 previous testimony when you were with -- overseeing  10 the mail services and we were talking about  11 suspicious order monitoring policy, your  12 recollection or understanding was that that was  13 deployed or implemented through distribution and  14 supply prior to Pharmaceutical Integrity, correct?  15 A. Correct.  16 Q. Okay. So, do you -- let's go to the  17 next one. Dan Coughlin. If you already covered  18 him, I apologize. Do you remember who Dave --  19 which --  20 A. Dan. Yeah, he was the supply  21 distribution guy that I mentioned.  22 Q. Okay. And, so, would Dan Coughlin have  23 any responsibility over suspicious order monitoring  24 policies that were implemented at Walgreens through</p>

<p style="text-align: right;">Page 86</p> <p>1 distribution and supply?</p> <p>2 A. I don't know what Dan's responsibilities</p> <p>3 were.</p> <p>4 Q. Do you know his -- I'm sorry.</p> <p>5 A. I know he worked in the supply</p> <p>6 distribution area.</p> <p>7 Q. Do you know what his title was?</p> <p>8 A. I believe he was divisional vice</p> <p>9 president.</p> <p>10 Q. So, somewhere underneath his purview of</p> <p>11 divisional vice president he would have had some</p> <p>12 contact with the suspicious order monitoring</p> <p>13 policies and procedures?</p> <p>14 A. I don't --</p> <p>15 MR. STOFFELMAYR: Objection to the form. Go</p> <p>16 ahead.</p> <p>17 BY THE WITNESS:</p> <p>18 A. I don't know that. I don't know what</p> <p>19 his responsibilities are.</p> <p>20 BY MR. MOUGEY:</p> <p>21 Q. Okay. And I just wrote through my last</p> <p>22 name. Is it Ken Amos or Ames?</p> <p>23 A. Amos.</p> <p>24 Q. Amos, all right, with an M. Which --</p>	<p style="text-align: right;">Page 88</p> <p>1 corporate culture of ethics, integrity and</p> <p>2 compliance. It is our plan to hold meetings</p> <p>3 quarterly," and we went through that language</p> <p>4 before.</p> <p>5 Do you -- I think you told me that these</p> <p>6 went from like 2012-2014. Do you recall if you</p> <p>7 actually -- if this committee had quarterly</p> <p>8 meetings?</p> <p>9 A. My recollection is we had one or two</p> <p>10 meetings.</p> <p>11 Q. And that's it?</p> <p>12 A. Yeah.</p> <p>13 Q. All right. So, if we go back to this</p> <p>14 first paragraph, so, this committee was part of an</p> <p>15 effective proactive compliance program.</p> <p>16 Now, there was only one to two meetings.</p> <p>17 What happened to this committee as part of an</p> <p>18 effective compliance program? Do you have an</p> <p>19 understanding of why there was only one to two</p> <p>20 meetings?</p> <p>21 A. I really don't know why. I know Laura</p> <p>22 exited the company sometime around that, and I</p> <p>23 don't know why the --</p> <p>24 Q. Was compliance part of the legal</p>
<p style="text-align: right;">Page 87</p> <p>1 where did Ken fall into the org structure?</p> <p>2 A. Ken would have also been asset</p> <p>3 protection/loss prevention.</p> <p>4 Q. So, this is a fairly -- is it fair to</p> <p>5 say this is a fairly senior group of folks at</p> <p>6 Walgreens that we just went through that received</p> <p>7 this memo from Laura Merten, chief compliance</p> <p>8 officer?</p> <p>9 A. Well, it's a group of senior directors</p> <p>10 and vice presidents. I don't know what you mean by</p> <p>11 senior but...</p> <p>12 Q. Senior directors and vice presidents is</p> <p>13 fair enough with me. It's not -- we are not in the</p> <p>14 store level, correct?</p> <p>15 A. Correct.</p> <p>16 Q. We are further up the food chain. We're</p> <p>17 at corporate level, people that have</p> <p>18 responsibilities, significant responsibilities, in</p> <p>19 different groups, correct?</p> <p>20 A. Correct.</p> <p>21 Q. Now, let's go back to this memo. It</p> <p>22 says, "Your input and expertise will be crucial to</p> <p>23 the success of this committee and your decisions</p> <p>24 and recommendations will help to support our</p>	<p style="text-align: right;">Page 89</p> <p>1 department, do you have an understanding?</p> <p>2 A. I don't know for sure what -- how that</p> <p>3 rolled up but...</p> <p>4 Q. Okay. Do you have an understanding of</p> <p>5 whether compliance was its own separate group?</p> <p>6 A. I don't. I don't know.</p> <p>7 Q. Do you see "Committee counsel: Dwayne</p> <p>8 Piñon." Am I mispronouncing that? Very bottom of</p> <p>9 the page.</p> <p>10 A. Piñon.</p> <p>11 Q. And Garry Hodge?</p> <p>12 A. Yes.</p> <p>13 Q. And those were both counsel?</p> <p>14 A. Yes.</p> <p>15 Q. And in-house counsel at Walgreens?</p> <p>16 A. Correct.</p> <p>17 Q. Now, again, I'm going to go back to what</p> <p>18 I asked before, and I apologize if you already</p> <p>19 answered these.</p> <p>20 But did you take notes during the couple</p> <p>21 of meetings that you recall?</p> <p>22 A. I may have taken notes. I mean, I</p> <p>23 don't. I don't know.</p> <p>24 Q. Did anybody come to you and ask you, "Do</p>



<p>Page 90</p> <p>1 you have a place that you keep notes"? Did anybody</p> <p>2 come to you and ask, "Hey, Rex, have you got notes</p> <p>3 from any meetings you attended regarding opiates or</p> <p>4 Schedule II, III controlled substances"? Did</p> <p>5 anybody come to you and ask you?</p> <p>6 A. As part of this action?</p> <p>7 Q. Yes, sir.</p> <p>8 A. Yes.</p> <p>9 Q. All right. You went and looked all the</p> <p>10 regular places you would keep notes or agendas or</p> <p>11 minutes and look to see if you could find anything?</p> <p>12 A. That's correct.</p> <p>13 Q. And you couldn't identify anything?</p> <p>14 A. No.</p> <p>15 Q. All right.</p> <p>16 A. Well, I don't know that I couldn't</p> <p>17 identify. I had nothing in my possession. I</p> <p>18 understand that they had other things, but I didn't</p> <p>19 have anything at that time.</p> <p>20 Q. Do you recall if there were minutes or</p> <p>21 agendas from these meetings?</p> <p>22 A. I don't.</p> <p>23 Q. Anything similar to this kind of</p> <p>24 compliance-focused meeting that you were invited to</p>	<p>Page 92</p> <p>1 order monitoring policies and procedures after the</p> <p>2 DEA investigation started into the Jupiter</p> <p>3 distribution center?</p> <p>4 A. I would say that -- I don't know if I'd</p> <p>5 phrase it quite like that. I think we did -- we</p> <p>6 started a thorough review of what the process was</p> <p>7 and what was going on, yes.</p> <p>8 Q. Okay. One thing that I just -- I didn't</p> <p>9 understand looking at that when I saw that memo and</p> <p>10 that you were invited, and I don't mean any</p> <p>11 disrespect here, but when I looked through your CV</p> <p>12 you had, and I think as you agreed, you have no</p> <p>13 compliance background, correct?</p> <p>14 A. Correct.</p> <p>15 Q. And this is kind of a DEA compliance</p> <p>16 meeting, correct?</p> <p>17 A. Correct.</p> <p>18 Q. Why do you think you were asked -- do</p> <p>19 you have an understanding of why you were asked to</p> <p>20 be part of a DEA compliance meeting, important</p> <p>21 function at Walgreens, without and you have</p> <p>22 virtually no compliance background?</p> <p>23 MR. STOFFELMAYR: Objection to the form.</p> <p>24 BY THE WITNESS:</p>
<p>Page 91</p> <p>1 join?</p> <p>2 A. Not that I recall.</p> <p>3 Q. And you see the date of this meeting,</p> <p>4 3/1/2012. This corresponds with the DEA</p> <p>5 investigation into several Walgreens pharmacies and</p> <p>6 distribution centers?</p> <p>7 A. Yes.</p> <p>8 MR. STOFFELMAYR: Objection to the form. Go</p> <p>9 ahead.</p> <p>10 BY THE WITNESS:</p> <p>11 A. Yes.</p> <p>12 BY MR. MOUGEY:</p> <p>13 Q. Was that part of the catalyst for this</p> <p>14 meeting?</p> <p>15 MR. STOFFELMAYR: Objection.</p> <p>16 BY MR. MOUGEY:</p> <p>17 Q. Or for these types of meetings?</p> <p>18 MR. STOFFELMAYR: Objection to the form.</p> <p>19 BY THE WITNESS:</p> <p>20 A. I don't know what the catalyst was that</p> <p>21 Laura requested the meeting.</p> <p>22 BY MR. MOUGEY:</p> <p>23 Q. Was there a sense of urgency within</p> <p>24 Walgreens to -- to further enhance the suspicious</p>	<p>Page 93</p> <p>1 A. Because I was the divisional vice</p> <p>2 president of pharmacy services.</p> <p>3 BY MR. MOUGEY:</p> <p>4 Q. Who in this meeting, the folks that we</p> <p>5 just walked through, other than Ms. Martin, had</p> <p>6 compliance experience?</p> <p>7 MR. STOFFELMAYR: Objection to the form.</p> <p>8 BY THE WITNESS:</p> <p>9 A. I don't know what the other people's</p> <p>10 backgrounds around compliance are.</p> <p>11 BY MR. MOUGEY:</p> <p>12 Q. You don't know anybody that had a</p> <p>13 compliance background that was invited to the DEA</p> <p>14 compliance meeting other than Ms. Martin?</p> <p>15 A. What I said is I don't know what their</p> <p>16 backgrounds are --</p> <p>17 Q. I understand.</p> <p>18 A. -- relating to compliance.</p> <p>19 Q. You don't recall sitting through those</p> <p>20 couple meetings, somebody standing up and saying,</p> <p>21 "I'm the one that has the background in compliance</p> <p>22 and made the presentations and kind of helped</p> <p>23 educate everybody else." You don't recall?</p> <p>24 A. I don't recall that happening.</p>

<p style="text-align: right;">Page 94</p> <p>1 Q. Let me hand you what I will mark as 2 Swords 3. 3 (WHEREUPON, a certain document was 4 marked as Walgreens-Swords Exhibit 5 No. 3: DEA Compliance Working 6 Group, January 10, 2013, Meeting 7 Summary WAGMDL00496404 - 00496406.) 8 MR. STOFFELMAYR: Make sure you give me a 9 chance to object. 10 BY MR. MOUGEY: 11 Q. Swords 3 is titled "DEA Compliance 12 Working Group." 13 Do you see that, sir? 14 A. I do. 15 Q. And that is the National Association of 16 Chain Drug Stores or NACDS, correct? 17 A. Correct. 18 Q. And you were asked to be or you 19 ultimately ended up being the co-chair of the DEA 20 compliance working group, correct? 21 A. Correct. 22 Q. Any understanding of why you were asked 23 to co-chair a DEA compliance working group with no 24 compliance background?</p>	<p style="text-align: right;">Page 96</p> <p>1 Q. And who helped educate you on Walgreens 2 responsibility as a distributor under the 3 Controlled Substance Act? 4 A. In-house counsel. 5 Q. In-house counsel. And same question but 6 on the dispensing side. I'm assuming the answer is 7 the same, in-house counsel? 8 A. In-house counsel. 9 Q. And who specifically did you sit down 10 with to understand the details of Walgreens' 11 responsibilities under the Controlled Substance Act 12 as a distributor? 13 A. Dwayne Piñon. 14 Q. And is the answer the same for 15 understanding Walgreens' responsibilities under the 16 Controlled Substance Act as a dispenser? 17 A. Yes. 18 Q. And you understand that -- and I 19 apologize. I think we did this earlier. 20 But you understand that Walgreens' 21 responsibilities under the Controlled Substance Act 22 as a distributor and as a dispenser are separate 23 and distinct responsibilities? 24 A. Correct.</p>
<p style="text-align: right;">Page 95</p> <p>1 A. Again, it was -- I was the lead for 2 Walgreens from a vice -- the pharmacy services side 3 of the -- of the equation here. 4 Q. So, Walgreens asked you to participate 5 in this committee, this DEA compliance working 6 group? 7 A. Correct. 8 Q. And do you have any understanding of why 9 Walgreens would ask Rex Swords, with no compliance 10 background, to be its representative on the DEA 11 compliance working group? 12 A. I was asked to participate, and that's 13 what I did. 14 Q. And -- but you don't have any 15 understanding of why you were asked? 16 A. I do not. 17 Q. So, I'm assuming that as part of the DEA 18 compliance committee that we just looked at, Swords 19 2, and then Swords 3, the document we have in front 20 of us, that you spent some time getting up to speed 21 understanding the regulatory scheme that Walgreens 22 was under in both its dispensing role and its 23 distribution role? 24 A. Correct.</p>	<p style="text-align: right;">Page 97</p> <p>1 Q. But there is some overlap between the 2 two as far as, for example, information that one 3 would rely on to make the decisions implementing 4 Walgreens' responsibilities under the CSA, correct? 5 MR. STOFFELMAYR: Objection to the form. 6 BY THE WITNESS: 7 A. I'm not sure I understand what the 8 question is. 9 BY MR. MOUGEY: 10 Q. That was a terrible question. Yeah. 11 Some of the information that Walgreens 12 used to discharge its responsibilities as a 13 distributor under the Controlled Substance Act 14 would be the same information that it would rely on 15 to discharge its responsibilities under the 16 Controlled Substance Act as a dispenser, correct? 17 A. I'm still not sure I'm following the 18 question. 19 Q. Let's just keep going. 20 The date of this, January 10, 2013. 21 "Co-chairs Jason Ausili and Rex Swords started the 22 meeting with a description of the working group's 23 charge from the NACDS Board of Directors. In 24 particular, the work group is tasked with helping</p>

<p style="text-align: right;">Page 98</p> <p>1 to curb prescription drug abuse through the  2 development of an industry-wide code for controlled  3 substance dispensing."  4 Correct?  5 A. Correct.  6 Q. So, this DEA compliance working group  7 was more focused on dispensing than Walgreens' role  8 as a distributor, is that -- do you agree with  9 that?  10 A. I would.  11 Q. All right. The next sentence says,  12 "The co-chairs emphasized the need to be  13 forward-thinking with the code, and go beyond  14 simply codifying known red flags for abuse."  15 Do you see that?  16 A. I do.  17 Q. Do you have an understanding of what the  18 reference to "red flags" is in Swords 3?  19 A. Yes, I do.  20 Q. What is your understanding of what is  21 referenced here as "red flags"?  22 A. The DEA had established what they  23 considered a series of activities or items that  24 they would consider -- that they believed that</p>	<p style="text-align: right;">Page 100</p> <p>1 paragraph, "In addition, NACDS circulated the  2 following documents for consideration: a legal  3 overview of considerations for the development and  4 implementation of a voluntary code."  5 Do you have any recollection of what  6 that document was?  7 A. I recall there being a document. I  8 don't recall the specifics of it.  9 Q. Do you recall who drafted it?  10 A. I believe it was NACDS counsel.  11 Q. And who would that be, do you recall?  12 A. I don't -- Don something.  13 Q. Don something?  14 A. I don't -- I don't remember his specific  15 name. I think it was Don something.  16 Q. Okay. And No. 2, "An overview of DEA  17 standards and red flags discussed in recent DEA  18 cases."  19 Now, was there, when you met with  20 Mr. Piñon internally to get up to speed on the  21 details of the Controlled Substance Act, did part  22 of what you reviewed include DEA cases?  23 MR. STOFFELMAYR: Let me just ask you to  24 answer that question with a yes or a no and not go</p>
<p style="text-align: right;">Page 99</p> <p>1 pharmacists and other health professionals should  2 consider as red flags, something to alert you, if  3 you will, to suspicious activity.  4 Q. And that would require some additional  5 follow-up. Is that fair?  6 A. Or consideration, yes.  7 Q. What's the difference between follow-up  8 or consideration? If something is a red flag, you  9 just -- you have to ask a couple more questions.  10 Is that fair?  11 A. Depending on what the red flag is,  12 right.  13 Q. Maybe is it -- how about this. If it's  14 a red flag, you have to take a further look?  15 A. Again, I think it's -- may require  16 further action or consideration.  17 Q. What I'm struggling with is the word  18 "may." Okay.  19 So, a red flag. A red flag pops. One  20 has to look at the red flag to understand whether  21 or not further action is needed. Correct?  22 A. Yes.  23 Q. So, this memo goes on, and I'm going  24 to look at the second sentence of the second</p>	<p style="text-align: right;">Page 101</p> <p>1 beyond that.  2 BY THE WITNESS:  3 A. Yes.  4 BY MR. MOUGEY:  5 Q. And do you have an independent  6 recollection today of what those cases were?  7 MR. STOFFELMAYR: Just answer that question  8 with a yes or a no.  9 BY THE WITNESS:  10 A. Yes.  11 BY MR. MOUGEY:  12 Q. And what were those cases?  13 MR. STOFFELMAYR: I'm going to object and  14 instruct him not to answer based on privilege.  15 BY MR. MOUGEY:  16 Q. Do you consider those cases to be  17 helpful when educating yourself about what the  18 details of Walgreens' responsibilities were under  19 the Controlled Substance Act?  20 A. Yes.  21 Q. And that was part of what you used to  22 educate yourself on understanding how Walgreens  23 discharged its responsibilities under the  24 Controlled Substance Act, correct?</p>

<p style="text-align: right;">Page 102</p> <p>1 MR. STOFFELMAYR: Objection to the form.  2 BY THE WITNESS:  3 A. Yes.  4 BY MR. MOUGEY:  5 Q. And would you please explain to me what  6 your education on the details of Walgreens'  7 responsibilities under the Controlled Substance Act  8 included?  9 MR. STOFFELMAYR: And, Mr. Swords, in  10 answering that question, I'm not sure I totally  11 understand it, but as you understand it, answer the  12 question.  13 But I'm going to instruct you to the  14 extent that requires you to get into the substance  15 of confidential communications with Mr. Piñon or  16 any other lawyers, not to -- not to reveal that;  17 and if that's a complicated instruction, we can  18 step in the hallway and figure it out.  19 THE WITNESS: We should probably do that.  20 BY MR. MOUGEY:  21 Q. I would like you to answer the question  22 that I asked.  23 A. Can you restate the question for me?  24 Q. Yes, sir. Would you please explain to</p>	<p style="text-align: right;">Page 104</p> <p>1 came from counsel, Walgreens' counsel?  2 A. With respect to suspicious order  3 monitoring and distributing, yes.  4 Q. So, sitting here today, are you telling  5 me, given counsel's instruction, that you can't  6 answer my question explaining Walgreens'  7 responsibilities as a distributor under the  8 Controlled Substance Act because it all came from  9 Walgreens' counsel?  10 A. That is how I was educated as to the  11 responsibility for distribution and suspicious  12 order monitoring was from legal counsel.  13 Q. Yes, sir. And there was -- your  14 education process was on the details of Walgreens'  15 responsibilities under the Controlled Substance Act  16 as a distributor came from Walgreens' counsel?  17 A. Correct.  18 Q. So, sir, would you please explain to me  19 the details, as you understand it, of Walgreens'  20 responsibilities under the Controlled Substance Act  21 as a distributor?  22 MR. STOFFELMAYR: So, again, I'm going to  23 object on the basis of privilege and instruct you  24 not to answer, Mr. Swords, unless there is some</p>
<p style="text-align: right;">Page 103</p> <p>1 me the details of Walgreens' responsibilities under  2 the Controlled Substance Act as a distributor.  3 MR. STOFFELMAYR: Hold on a second.  4 So, two things. I'm going to object to  5 the form of the question and foundation.  6 Mr. Piñon -- not Mr. Piñon.  7 Mr. Swords, to the extent that would  8 require you to reveal legal advice obtained from  9 counsel for Walgreens, I'm going to instruct you  10 not to answer.  11 THE WITNESS: Okay.  12 BY THE WITNESS:  13 A. So, what is the question again?  14 BY MR. MOUGEY:  15 Q. Is your understanding of what Walgreens'  16 responsibility as a distributor under the  17 Controlled Substance Act, did that come entirely  18 from counsel?  19 A. Yes.  20 Q. From legal counsel?  21 A. Yes.  22 Q. So, that was the -- your education and  23 understanding of the details of Walgreens'  24 responsibilities under the Controlled Substance Act</p>	<p style="text-align: right;">Page 105</p> <p>1 part of that question you can answer without  2 getting into the substance of legal advice obtained  3 from Mr. Piñon or other counsel for Walgreens.  4 BY THE WITNESS:  5 A. Well, again, my education of the  6 responsibility came from interactions with our  7 legal counsel. So, I mean, I don't know -- I don't  8 know what I can answer and what I can't answer  9 here. So...  10 MR. STOFFELMAYR: Okay.  11 BY MR. MOUGEY:  12 Q. Well, you do know what you can and what  13 you can't answer. I'm asking you to please explain  14 the details, as you understand them, of Walgreens'  15 responsibilities as a distributor under the  16 Controlled Substance Act.  17 MR. STOFFELMAYR: And given his prior  18 testimony, Mr. Swords, I'm going to object on the  19 basis of privilege and instruct you not to answer.  20 MR. MOUGEY: Kaspar, the order from -- whether  21 it was Judge Polster or -- I think it was Judge  22 Polster, and you and I were in the courtroom the  23 same day the order was made from Judge Polster --  24 that Defendants in this case cannot use</p>

<p style="text-align: right;">Page 106</p> <p>1 attorney-client to not disclose the details of  2 their understanding of the suspicious order  3 monitoring policies.  4 What am I missing?  5 MR. STOFFELMAYR: That's not his order at all.  6 I don't want to waste time on this.  7 MR. MOUGEY: I don't want to waste time. I am  8 sitting here on the Friday before the holidays  9 taking a deposition, and this is the second or  10 third deposition that your firm has instructed its  11 employees not to answer questions on their  12 understanding of their responsibilities under the  13 Controlled Substance Act as a distributor because  14 it came from counsel.  15 MR. STOFFELMAYR: I stand by that objection,  16 and I don't think it's inconsistent with the  17 judge's order.  18 BY MR. MOUGEY:  19 Q. And you understand that the point of  20 this today is to understand and elicit your  21 testimony as a senior person at Walgreens as to  22 your understanding, Mr. Swords, of Walgreens'  23 responsibilities under the Controlled Substance  24 Act.</p>	<p style="text-align: right;">Page 108</p> <p>1 instruction your understanding of the details of  2 Walgreens' responsibilities as a distributor based  3 on your counsel instructing you not to answer due  4 to the fact that your entire understanding of the  5 regulatory structure is from counsel. So, just...  6 MR. STOFFELMAYR: That's not a question. He  7 is just putting that on the record.  8 BY MR. MOUGEY:  9 Q. Now, outside of the cases you reviewed,  10 what other documents, types of documents,  11 categories, did you review to educate yourself on  12 Walgreens' responsibilities as a distributor under  13 federal law?  14 MR. STOFFELMAYR: Mr. Swords, if you can  15 answer that with broad categories of documents,  16 that's fine.  17 But I don't want you to go into the  18 substance of those documents or other  19 communications you had with Mr. Piñon, and I  20 instruct you not to do that.  21 BY THE WITNESS:  22 A. I reviewed the Controlled Substances  23 Act.  24 BY MR. MOUGEY:</p>
<p style="text-align: right;">Page 107</p> <p>1 You understand that's why we're here  2 today, sir, correct?  3 MR. STOFFELMAYR: Objection to the form.  4 We're here today because you noticed his  5 deposition.  6 BY MR. MOUGEY:  7 Q. And you understand, sir, this case is  8 entirely about Walgreens discharging its  9 obligations under the Controlled Substance Act as a  10 distributor, correct?  11 MR. STOFFELMAYR: Objection to the form.  12 BY THE WITNESS:  13 A. I understand that I had a subpoena to  14 appear here for this issue, you know.  15 BY MR. MOUGEY:  16 Q. You don't know anything about what this  17 litigation is about?  18 A. I'm not sure I understand what the  19 litigation is about, no.  20 Q. Other than cases that you -- let me stop  21 and just make a quick.  22 MR. MOUGEY: I am reserving our right to keep  23 this deposition open at the conclusion of today  24 based on your refusal to answer based on counsel's</p>	<p style="text-align: right;">Page 109</p> <p>1 Q. Did -- in part of that Controlled  2 Substance Act was the regulations thereunder?  3 A. Correct.  4 Q. For example, Walgreens' responsibilities  5 to design and implement a system for suspicious  6 orders, correct?  7 MR. STOFFELMAYR: Objection to the form. Just  8 answer yes or no if you recall.  9 BY THE WITNESS:  10 A. Yes.  11 BY MR. MOUGEY:  12 Q. How long ago were these meetings with  13 Walgreens' counsel? What time period?  14 A. 2012.  15 Q. And who was in the meetings other than  16 yourself and Mr. Piñon?  17 A. I don't recall all the meetings. But it  18 would have been typically attorneys and myself,  19 Dwayne was the lead attorney. There were other  20 attorneys at different times involved.  21 Q. How many other attorneys?  22 A. I remember Patty Zagami being involved.  23 She is an in-house attorney for us. And maybe  24 Garry Hodge at one point or another involved.</p>



<p style="text-align: right;">Page 110</p> <p>1 Q. Those were both in-house counsel?</p> <p>2 A. Yes.</p> <p>3 Q. Any outside counsel? When I say</p> <p>4 "outside counsel," I mean like Kaspar here from a</p> <p>5 firm outside of Walgreens.</p> <p>6 A. With respect to?</p> <p>7 Q. Sitting in on these meetings where you</p> <p>8 were being educated on the details of the</p> <p>9 Controlled Substance Act.</p> <p>10 A. Yes.</p> <p>11 Q. And what -- do you remember what law</p> <p>12 firm?</p> <p>13 A. I don't remember the name of them but...</p> <p>14 Q. Do you remember the name of the lawyers?</p> <p>15 A. No, I don't.</p> <p>16 Q. Do you remember what city they were in?</p> <p>17 A. Washington, D.C. I believe.</p> <p>18 Alice was one of the names. I don't</p> <p>19 recall.</p> <p>20 MR. STOFFELMAYR: We will Google "Alice,</p> <p>21 Washington, D.C. lawyer."</p> <p>22 BY MR. MOUGEY:</p> <p>23 Q. How many meetings were there?</p> <p>24 A. I don't recall the number.</p>	<p style="text-align: right;">Page 112</p> <p>1 Q. How long were you typically in one of</p> <p>2 these meetings on any given day?</p> <p>3 A. The meetings would vary, but typically</p> <p>4 hour, hour and a half maybe. Maybe some were</p> <p>5 longer, some were shorter.</p> <p>6 Q. Were you given materials to read prior</p> <p>7 to the meetings?</p> <p>8 A. I don't recall getting anything prior to</p> <p>9 meetings.</p> <p>10 Q. Were you given materials at the</p> <p>11 meetings, kind of homework assignments, to read</p> <p>12 afterwards?</p> <p>13 A. Don't recall that happening. I recall</p> <p>14 being provided documents in meetings.</p> <p>15 Q. Did you take those --</p> <p>16 A. And --</p> <p>17 Q. I'm sorry. Go ahead.</p> <p>18 A. And reviewing those documents in the</p> <p>19 meeting.</p> <p>20 Q. Do you recall those meetings -- taking</p> <p>21 those documents with you after the meetings?</p> <p>22 A. No, I don't.</p> <p>23 Q. You don't recall or you didn't?</p> <p>24 A. I don't recall.</p>
<p style="text-align: right;">Page 111</p> <p>1 Q. Were there 15 or were there five or --</p> <p>2 A. There were a number of meetings.</p> <p>3 Q. There were several?</p> <p>4 A. Yes.</p> <p>5 Q. And over how long a period of time?</p> <p>6 A. Months.</p> <p>7 Q. And what was the -- what was the</p> <p>8 catalyst for the meetings? What was the reason for</p> <p>9 the meetings? Why were you being educated on the</p> <p>10 details of the Controlled Substance Act in 2012?</p> <p>11 A. The formation of the Pharmaceutical</p> <p>12 Integrity group as well as the action in Florida.</p> <p>13 Q. All right. What did you have to do with</p> <p>14 the action in Florida?</p> <p>15 A. Well, I was -- again, this was all</p> <p>16 happening in parallel. So, the Pharmaceutical</p> <p>17 Integrity group was being formed as part of that.</p> <p>18 There were various activities happening in Florida</p> <p>19 as a response to the DEA inquiries in Florida, and</p> <p>20 I was -- I was part of that.</p> <p>21 Q. Was the law firm in DC Latham &amp; Watkins?</p> <p>22 A. I believe that's right, yeah.</p> <p>23 MR. STOFFELMAYR: Help us find Alice.</p> <p>24 BY MR. MOUGEY:</p>	<p style="text-align: right;">Page 113</p> <p>1 Q. Okay. Were you given or provided</p> <p>2 memoranda from counsel explaining Walgreens'</p> <p>3 responsibilities under the Controlled Substance</p> <p>4 Act?</p> <p>5 A. I don't recall ever receiving that.</p> <p>6 Q. Let me make sure I understand. You were</p> <p>7 asked to oversee the Pharmaceutical Integrity group</p> <p>8 at Walgreens initially in mid-2012, correct?</p> <p>9 A. Sometime in 2012.</p> <p>10 Q. You and Mr. Lovejoy, correct?</p> <p>11 A. Dave Lovejoy was my -- my direct -- he</p> <p>12 was -- I reported directly to Dave.</p> <p>13 Q. And it was -- was it your job to</p> <p>14 populate or fill out the individual people in the</p> <p>15 Pharmaceutical Integrity group?</p> <p>16 A. In conjunction with the leader of that</p> <p>17 group that I had selected, which was Tasha, yes.</p> <p>18 Q. Okay. So, you identified Ms. Polster</p> <p>19 and in conjunction with Ms. Polster, you selected</p> <p>20 individuals to populate the Pharmaceutical</p> <p>21 Integrity group, correct?</p> <p>22 A. Correct.</p> <p>23 Q. And in order for you to discharge your</p> <p>24 responsibilities overseeing the Pharmaceutical</p>

<p style="text-align: right;">Page 114</p> <p>1 Integrity group, you had to understand the details  2 of the regulatory scheme that Walgreens had to  3 comply with, correct?  4 MR. STOFFELMAYR: Objection to the form.  5 BY THE WITNESS:  6 A. Correct.  7 BY MR. MOUGEY:  8 Q. And in order to fulfill your charge from  9 Walgreens, you sat with counsel in DC to understand  10 the regulatory structure?  11 MR. STOFFELMAYR: Objection to the form.  12 BY THE WITNESS:  13 A. No.  14 BY MR. MOUGEY:  15 Q. And what was the purpose of the meeting,  16 then, with sitting with the lawyers in DC going  17 through the responsibilities of Walgreens under the  18 Controlled Substance Act?  19 A. I never sat with lawyers in DC.  20 Q. The lawyers came to you here in Chicago?  21 A. Correct.  22 Q. I'm sorry. So, bad question. Thank  23 you.  24 So, you sat with lawyers and went</p>	<p style="text-align: right;">Page 116</p> <p>1 Q. You don't recall her title or her role  2 before Pharmaceutical Integrity?  3 A. I do not.  4 Q. Okay. Was it compliance?  5 A. I don't recall.  6 Q. I hand you what we will mark as Swords  7 4. Internal e-mail dated 9/16/2012.  8 (WHEREUPON, a certain document was  9 marked as Walgreens-Swords Exhibit  10 No. 4: 9/16/12 e-mail string;  11 WAGMDL00528179 - 00528180)  12 BY MR. MOUGEY:  13 Q. You know who Mike Bleser is, correct?  14 A. Bleser, yes.  15 Q. Bleser. And his title was what?  16 A. His title today?  17 Q. I'm sorry. On Bates No. 528179 there is  18 an e-mail dated September 16, 2012 and it's from  19 Mike Bleser.  20 Do you recall what his role or title was  21 at this point in time?  22 A. He was -- he was in our purchasing  23 department. I'm not sure what his title was.  24 Q. Okay. And you were not copied on this</p>
<p style="text-align: right;">Page 115</p> <p>1 through the regulatory structure and Walgreens'  2 responsibility as a distributor so you could  3 fulfill your charge at Walgreens to oversee the  4 Pharmaceutical Integrity Department?  5 A. Correct.  6 Q. Now, Ms. Polster, what was her prior  7 role at Walgreens before Pharmaceutical Integrity?  8 A. She's had a number of roles. She is a  9 long-term employee. I don't know the specific role  10 prior to that.  11 Q. Why did you handpick Ms. Polster to run  12 Pharmaceutical Integrity?  13 A. Because she's a very detailed and  14 capable leader in the organization, and that's what  15 I needed.  16 Q. Had you interacted with her prior to  17 Pharmaceutical Integrity --  18 A. Certainly.  19 Q. -- at Walgreens?  20 A. Certainly.  21 Q. And in what capacity?  22 A. Our paths -- we're both long-term  23 employees. Our paths have crossed a number of  24 times but...</p>	<p style="text-align: right;">Page 117</p> <p>1 e-mail, but you're referenced in the body of the  2 e-mail. And I wanted to ask what understanding you  3 have about the reference to you.  4 A. I don't know. I will have to read the  5 e-mail.  6 Q. I know. I'm going to point your  7 attention. Bear with me. Okay?  8 The third hash line down beginning with  9 "Responsibility." Do you see that?  10 A. Um-hmm.  11 Q. "Responsibility for using this new  12 system (along with creating store level  13 interventions) has been given to the new  14 Pharmaceutical Integrity team under Dave Lovejoy  15 and Rex Swords."  16 Right?  17 A. That's what it says, yes.  18 Q. Do you have an independent recollection  19 of when you were asked to oversee the creation of  20 Pharmaceutical Integrity?  21 A. I don't know the exact dates of when  22 that happened.  23 Q. Any general time frame?  24 A. It was sometime early '12 or so.</p>

<p style="text-align: right;">Page 118</p> <p>1 Q. Early '12. And, so, Dave Lovejoy at          2 this point was your -- you reported directly to          3 him, correct?          4 A. That's correct.          5 Q. And, so, he had the kind of the -- well,          6 strike that.          7 The bullet under the one we just          8 reviewed, "LP," which is loss prevention, correct?          9 A. Correct.          10 Q. "And Rx Purchasing and Supply Chain have          11 committed to continue to assist the Pharmaceutical          12 Integrity team as the SOM process evolves."          13 Do you see that?          14 A. I do.          15 Q. And would you agree with Mr. Bleser's          16 comments that the SOM process, suspicious order          17 monitoring process, was evolving as of September of          18 2012?          19 A. I don't know what he means by          20 "evolving." We were implementing different systems          21 at that time, yes.          22 Q. Okay. Let's continue to the -- what is          23 your understanding of, when you came into          24 Pharmaceutical Integrity and started building it</p>	<p style="text-align: right;">Page 120</p> <p>1 monitoring policies to identify suspicious orders          2 when Pharmaceutical Integrity was created in 2012?          3 MR. STOFFELMAYR: Mr. Swords, if there is          4 factual information that you learned --          5 THE WITNESS: I'm not sure I actually even          6 understand the question.          7 MR. STOFFELMAYR: Okay.          8 THE WITNESS: From a time frame on the          9 question. So...          10 BY MR. MOUGEY:          11 Q. It was 2012 --          12 A. If you can clarify that for me.          13 Q. -- with Pharmaceutical Integrity, right?          14 A. Yep.          15 Q. Would you please explain to me what          16 Walgreens' policies were to identify suspicious          17 orders at the time you began to implement the          18 Pharmaceutical Integrity Department.          19 A. So, we were establishing a number of          20 algorithms that we would use to deploy against the          21 order -- order monitoring and request for products,          22 and so this team was partnering with the supply          23 chain at that time to develop that process.          24 Q. Okay. What I'd like to understand, and</p>
<p style="text-align: right;">Page 119</p> <p>1 out, what Walgreens' metrics were to identify          2 suspicious orders?          3 A. My understanding?          4 Q. Yes, sir.          5 A. Prior to the establishment of          6 Pharmaceutical Integrity?          7 Q. Yes, sir.          8 A. None.          9 Q. There was none. And --          10 MR. STOFFELMAYR: There was no understanding          11 or there was no metrics?          12 THE WITNESS: No understanding.          13 BY MR. MOUGEY:          14 Q. So, was part of your --          15 MR. MOUGEY: Thank you, Kaspar, for          16 interjecting yourself.          17 MR. STOFFELMAYR: I apologize. I apologize.          18 BY MR. MOUGEY:          19 Q. What did you do to educate yourself          20 about what Walgreens' metrics were at the time that          21 Pharmaceutical Integrity was being created?          22 A. I met with our counsel.          23 Q. So, would you please explain to me what          24 Walgreens' metrics were for its suspicious order</p>	<p style="text-align: right;">Page 121</p> <p>1 I'm sorry, the way I phrased that question was not          2 what I was intending to elicit, was: Could you          3 please explain, when you took over Pharmaceutical          4 Integrity, what policies and procedures were in          5 place at the time Pharmaceutical Integrity          6 Department was created to identify suspicious          7 orders?          8 A. So, there were prior pharmaceutical --          9 prior -- I don't have knowledge on prior to          10 Pharmaceutical Integrity.          11 Q. You don't have knowledge or you do have          12 knowledge but that knowledge came from counsel and          13 your counsel has instructed you not to answer?          14 MR. STOFFELMAYR: Well, I didn't.          15 BY THE WITNESS:          16 A. The knowledge came after the formation          17 of Pharmaceutical Integrity.          18 BY MR. MOUGEY:          19 Q. I understand. So, when you began          20 Pharmaceutical Integrity, building it out in 2012,          21 did you educate yourself about the details of what          22 Walgreens' suspicious order monitoring policies          23 were prior to Pharmaceutical Integrity?          24 A. Yes.</p>

<p style="text-align: right;">Page 122</p> <p>1 Q. And what were those policies and  2 procedures that Walgreens used to identify  3 suspicious orders prior to Pharmaceutical Integrity  4 being created?</p> <p>5 MR. STOFFELMAYR: And, Mr. Swords, let me  6 explain. If there is factual information, you  7 know, we did A and B or we did C, whatever it is,  8 it's fine to answer the question if you have  9 knowledge of factual information.</p> <p>10 But I don't want you to go into the  11 substance of any legal advice or opinions or  12 anything like that that you may have received from  13 lawyers for the company.</p> <p>14 THE WITNESS: Okay.</p> <p>15 MR. STOFFELMAYR: Does that make sense?</p> <p>16 THE WITNESS: I hope so. I'll do my best  17 here.</p> <p>18 BY THE WITNESS:</p> <p>19 A. So, I knew at that time that our  20 responsibility was to report orders that were  21 deemed suspicious to the DEA.</p> <p>22 BY MR. MOUGEY:</p> <p>23 Q. And once Walgreens identified orders  24 that were suspicious, it was required to perform</p>	<p style="text-align: right;">Page 124</p> <p>1 important part of you implementing this department,  2 correct?</p> <p>3 A. Knowing what was going on prior.</p> <p>4 Q. Sure.</p> <p>5 A. Yes.</p> <p>6 Q. Of course. I mean, in order to -- I  7 mean, Walgreens was -- had several open  8 investigations around the country regarding its  9 distribution centers and its dispensing practices  10 from the DEA, correct?</p> <p>11 MR. STOFFELMAYR: Objection to the form.</p> <p>12 BY THE WITNESS:</p> <p>13 A. I know there were a number. I don't  14 know all the details around them.</p> <p>15 BY MR. MOUGEY:</p> <p>16 Q. I didn't ask you all the details. The  17 question I simply asked was: Walgreens had several  18 open investigations around the country regarding  19 its distribution centers and its dispensing  20 practices from the DEA regarding controlled  21 substances, correct?</p> <p>22 A. Correct.</p> <p>23 Q. And in order for you --</p> <p>24 MR. STOFFELMAYR: Wait for a second.</p>
<p style="text-align: right;">Page 123</p> <p>1 due diligence before they were shipped, correct?</p> <p>2 MR. STOFFELMAYR: Objection to the form.</p> <p>3 BY THE WITNESS:</p> <p>4 A. I don't -- again, I don't know what the  5 requirements were prior to. I know there was a  6 process where they would identify them and report  7 them to the DEA.</p> <p>8 Q. Right. And that's the first step, and  9 the second step I'm asking is: Do you understand  10 that Walgreens was required to perform due  11 diligence on those suspicious orders prior to being  12 shipped?</p> <p>13 MR. STOFFELMAYR: I'm going to object to the  14 form of the question.</p> <p>15 BY THE WITNESS:</p> <p>16 A. I understand that there -- that the  17 opinion afterwards was that was the case. Again,  18 my understanding of our responsibility was to  19 report suspicious orders to the DEA.</p> <p>20 BY MR. MOUGEY:</p> <p>21 Q. What I'm asking you is in the beginning  22 of Pharmaceutical Integrity in 2012, your process  23 to understand what Walgreens had done prior to  24 Pharmaceutical Integrity. That's a -- that's an</p>	<p style="text-align: right;">Page 125</p> <p>1 BY MR. MOUGEY:</p> <p>2 Q. In order for you to implement a new  3 department, Pharmaceutical Integrity, designed to  4 fulfill obligations, Walgreens' obligations, under  5 the Controlled Substance Act, it was important you  6 have an understanding of what Walgreens was doing  7 prior to you taking over. Correct?</p> <p>8 A. Yes.</p> <p>9 Q. And you went about trying to understand  10 what Walgreens had been doing prior to the creation  11 of Pharmaceutical Integrity, correct?</p> <p>12 A. Yes.</p> <p>13 Q. And part of that education process, you  14 understood that Walgreens had an obligation to  15 design a system to identify suspicious orders,  16 correct?</p> <p>17 A. I'm sorry.</p> <p>18 Q. You understood as part of your education  19 process that Walgreens had a responsibility to  20 design a system to identify suspicious orders,  21 correct, sir?</p> <p>22 A. I knew our responsibility was to report  23 suspicious orders.</p> <p>24 Q. The question I asked you was a little</p>

<p style="text-align: right;">Page 126</p> <p>1 different. I'm talking about the system that  2 Walgreens had to design. Let's do that again.  3 Walgreens had a responsibility to design  4 a system to identify suspicious orders, correct?  5 A. Walgreens' responsibility as my  6 understanding was to report suspicious orders.  7 Q. In order to identify the suspicious  8 orders, Walgreens had to create a system to  9 identify them in the hundreds of thousands of  10 orders it received every day, correct?  11 A. It had to have a process to report the  12 orders, yes.  13 Q. Yes, sir. I'm not asking about  14 reporting. Right now I'm just asking you about  15 identifying the suspicious orders. Okay. In order  16 to report, you have to find the suspicious orders.  17 Correct?  18 A. Yes.  19 Q. All right. So, what I'm asking you  20 simply, simple question, Walgreens had a  21 responsibility to design a system to identify  22 suspicious orders of controlled substances but more  23 specifically opiates, correct, sir?  24 MR. STOFFELMAYR: Objection to the form.</p>	<p style="text-align: right;">Page 128</p> <p>1 question and then you get a few sentences in  2 between, isn't it? So, let's do it again.  3 And once Walgreens identified those  4 suspicious orders, it had an obligation to perform  5 due diligence before it shipped those orders,  6 correct?  7 MR. MOUGEY: And I understand Mr. -- or,  8 Kaspar, your objection is still standing.  9 BY MR. MOUGEY:  10 Q. Please answer.  11 A. Yes.  12 MR. STOFFELMAYR: Subject to my instruction.  13 You understand that, right?  14 MR. MOUGEY: I want a clean record to this.  15 You have a standing objection, Kaspar.  16 MR. STOFFELMAYR: There is -- it's not the  17 objection. It's the instruction that's important.  18 MR. MOUGEY: Standing objection and  19 standing --  20 MR. STOFFELMAYR: No, no, no.  21 MR. MOUGEY: Standing instruction.  22 MR. STOFFELMAYR: It doesn't work that way.  23 MR. MOUGEY: Actually it does. We've had  24 specific rulings in this case, and I want a clean</p>
<p style="text-align: right;">Page 127</p> <p>1 BY THE WITNESS:  2 A. Yes.  3 BY MR. MOUGEY:  4 Q. All right. And once those suspicious  5 orders were identified by the process that  6 Walgreens designed, it had a responsibility to  7 report those to the DEA, correct, sir?  8 MR. STOFFELMAYR: Objection to the form.  9 BY THE WITNESS:  10 A. Yes.  11 BY MR. MOUGEY:  12 Q. And once Walgreens identified those  13 suspicious orders, it had an obligation to perform  14 due diligence before it shipped those orders,  15 correct?  16 MR. STOFFELMAYR: Objection to the form of the  17 question. If you have an independent understanding  18 of that, that's fine. But I don't want you to go  19 into the substance of any legal advice you obtained  20 from Mr. Piñon or others.  21 BY THE WITNESS:  22 A. Okay. So, do you want to restate?  23 BY MR. MOUGEY:  24 Q. Certainly. It's hard when I ask a</p>	<p style="text-align: right;">Page 129</p> <p>1 record with a clean answer; and your  2 several-sentence instruction in between my question  3 and the answer is impeding my ability to take the  4 testimony today.  5 So, let me do it again.  6 MR. STOFFELMAYR: Let me -- if you don't want  7 me to instruct him after your question, you got to  8 let me instruct him before your question.  9 MR. MOUGEY: You have.  10 MR. STOFFELMAYR: Because it needs to be clear  11 to him, it needs to be clear to him, not to you,  12 what the instruction is.  13 MR. MOUGEY: You've given the same instruction  14 over and over again and, quite frankly -- well, you  15 have given the instruction over and over again and  16 I've agreed that you have a standing instruction at  17 this juncture on this line of questioning, you have  18 a standing instruction and a standing objection to  19 my question.  20 MR. STOFFELMAYR: All right. Mr. Swords.  21 MR. MOUGEY: Go ahead and do it one more time  22 and I will ask my question.  23 MR. STOFFELMAYR: Mr. Swords, I am addressing  24 you, okay, not Mr. Mougey.</p>



<p style="text-align: right;">Page 130</p> <p>1 In answering these questions, if you  2 have an understanding from other sources, that's  3 fine. But if responding to the question requires  4 you to reveal legal advice that you obtained  5 confidentially from Mr. Piñon or other lawyers for  6 Walgreens, I instruct you not to answer the  7 question to that extent.  8 Does that make sense to you?  9 THE WITNESS: I believe so.  10 MR. STOFFELMAYR: Okay.  11 THE WITNESS: I'll give it a shot.  12 BY MR. MOUGEY:  13 Q. And once Walgreens identified those  14 suspicious orders, it had an obligation to perform  15 due diligence before it shipped those orders,  16 correct, Mr. Swords?  17 A. Yes.  18 Q. And, sir, the answer to those three  19 questions, had to design a system, it had to  20 identify suspicious reports, it had to report those  21 suspicious orders to the DEA and that Walgreens had  22 to perform due diligence on those suspicious orders  23 before they were shipped was in place from at least  24 2000 until Walgreens stopped distributing in 2014,</p>	<p style="text-align: right;">Page 132</p> <p>1 A. I mean, I recognize it's a document  2 published by Tasha.  3 Q. Yes, sir. You got memos that looked  4 similar to this from Ms. Polster as kind of  5 updating you and keep you in the loop, so to speak,  6 on what was going on with Pharmaceutical Integrity,  7 correct, sir?  8 A. As well as other various business.  9 Q. Yes, sir. But this is -- I'm not saying  10 this is the only type of memo you ever got, but  11 this is just one way Ms. Polster helped keep you up  12 to speed on Pharmaceutical Integrity, correct?  13 A. Correct.  14 Q. And as you can see under the subject  15 line, it's stated "Status," right?  16 A. Yes.  17 Q. And the date is November 30 of 2012,  18 correct, sir?  19 A. Yes.  20 Q. And there are in the production a series  21 of these kind of similar memoranda where she is  22 keeping you up to date on, for example, filling out  23 the individuals in Pharmaceutical Integrity,  24 correct?</p>
<p style="text-align: right;">Page 131</p> <p>1 correct, sir?  2 MR. STOFFELMAYR: Objection to the form of the  3 question and the same instruction.  4 BY THE WITNESS:  5 A. That's my understanding.  6 BY MR. MOUGEY:  7 Q. I hand you what I will mark Swords 5.  8 (WHEREUPON, a certain document was  9 marked as Walgreens-Swords Exhibit  10 No. 5: 3/20/13 e-mail string with  11 attachment; WAGMDL00574824 -  12 00574825.)  13 BY MR. MOUGEY:  14 Q. The first page of this document, Bates  15 No. 574824, is an e-mail from Ms. Polster to  16 members of the Pharmaceutical Integrity team.  17 Do you see that, sir?  18 A. I do.  19 Q. And if you would, sir, turn to the next  20 page, Bates No. 25, what purports to be a  21 memorandum from Ms. Polster to yourself, correct,  22 sir?  23 A. Yes.  24 Q. And do you recognize this document, sir?</p>	<p style="text-align: right;">Page 133</p> <p>1 A. I haven't seen them, but she would  2 regularly provide status updates to me.  3 Q. And those status updates would give you  4 what was going on with the development of the  5 algorithm or the metrics used to identify  6 suspicious orders at Walgreens, correct?  7 A. There were various updates on the  8 activity around her responsibilities.  9 Q. I just have one specific question on  10 this memo, Bates No. 25. You see on the third  11 entry down, the American Academy of Pain  12 Management.  13 Do you see that, sir?  14 A. I do.  15 Q. Do you have an understanding of what the  16 American Academy of Pain Management is?  17 A. I do.  18 Q. And it references a "document prepared  19 and will be sent to AAPM," which appears to be the  20 acronym for American Academy of Pain Management,  21 right?  22 A. Correct.  23 Q. "This weekend for their review. We  24 expect to hear back from them following their board</p>

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1 meeting which takes place on December 6."  
 2 Do you see that, sir?  
 3 A. I do.  
 4 Q. Do you have any recollection of what  
 5 that specific memo that's referenced here that was  
 6 being sent to AAPM?  
 7 A. I recall us having interaction with  
 8 AAPM. I don't recall the specifics of the memo.  
 9 Q. What is your understanding of what AAPM  
 10 is?  
 11 A. They're a physician group, a pain  
 12 management specialty physician group.  
 13 Q. And do you have understanding of what  
 14 Walgreens Pharmaceutical Integrity group's  
 15 interactions with AAPM would have been covering,  
 16 what the detail was?  
 17 A. I recall we were engaging them with  
 18 respect to our targeted good faith dispensing  
 19 practices and things like that so that they  
 20 would -- they could provide input.  
 21 Q. Let's go back to the very first entry on  
 22 the interview. "Interviews. Completed four  
 23 interviews for business analyst position, decision  
 24 will be finalized next week. Manager Rx Integrity

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1 position being posted. I expect to hear from  
 2 recruiter by the end of day."  
 3 Do you see that, sir?  
 4 A. I do.  
 5 Q. As of November 30, 2012, Ms. Polster was  
 6 still working on filling out the individual roles  
 7 for the Pharmaceutical Integrity Department,  
 8 correct, sir?  
 9 A. That's what it appears, yes.  
 10 Q. Do you have an understanding or a  
 11 recollection from kind of the inception of  
 12 Pharmaceutical Integrity until the department was  
 13 built out and functioning how long that took?  
 14 A. I don't recall the time frame.  
 15 Q. Was it several months, years?  
 16 A. Again, I don't recall the specific time  
 17 frame. It certainly wouldn't have been years.  
 18 Q. All right. In fact, Pharmaceutical  
 19 Integrity group was never kind of completely filled  
 20 out with the entire organizational chart and the  
 21 roles that were envisioned, correct, sir?  
 22 A. I don't -- I don't know that.  
 23 Q. Do you know what IMS is?  
 24 A. Yes.

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1 Q. What is IMS?  
 2 A. It's a data -- data company.  
 3 Q. And do you have an understanding of how  
 4 long -- well, did Walgreens ever use or have an  
 5 agreement with IMS to use the data that it  
 6 gathered?  
 7 A. We -- we've used IMS data for a number  
 8 of years on different things.  
 9 Q. Help me out with "a number of years."  
 10 What does that mean? How long -- how far back does  
 11 Walgreens' relationship with IMS go?  
 12 A. I don't know the specifics around the  
 13 Walgreen relationship.  
 14 Q. 20 years, 2 years?  
 15 A. I don't know.  
 16 Q. You don't know. Did you use IMS data in  
 17 your roles at Walgreens?  
 18 A. I personally, no.  
 19 Q. Did anyone under your purview use data  
 20 from IMS to discharge its responsibilities at  
 21 Walgreens?  
 22 A. Not that I'm aware of.  
 23 Q. Did Pharmaceutical Integrity have access  
 24 to IMS data when it discharged its responsibilities

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1 at Walgreens?  
 2 A. I think we used at them at some point in  
 3 time. I'm not sure whether we ever fully adopted  
 4 everything they had, but I know we had discussions  
 5 with them.  
 6 Q. Who would know the answer of when  
 7 Pharmaceutical Integrity began using IMS data at  
 8 Walgreens?  
 9 A. Probably Tasha or her team, one of her  
 10 team members. They would have been consuming the  
 11 data if it was used.  
 12 Q. Is there one group at Walgreens that has  
 13 to approve contracts with outside vendors such as  
 14 IMS?  
 15 A. It depends on the value of the business,  
 16 the contract.  
 17 Q. What's the threshold that usually has to  
 18 get approved?  
 19 A. They vary during -- they've changed over  
 20 the years.  
 21 Q. Ballpark it for me.  
 22 MR. STOFFELMAYR: Objection to the form. Go  
 23 ahead.  
 24 BY THE WITNESS:

<p style="text-align: right;">Page 138</p> <p>1 A. Typically if it's more than \$100,000, it  2 goes through a procurement process.  3 BY MR. MOUGEY:  4 Q. And, so, if the agreement with IMS was  5 I'm going to say high five figures, six figures, it  6 usually would go through a procurement process and  7 the contracts would be centralized at some hub at  8 Walgreens?  9 A. Correct.  10 Q. And do you have understanding, say, from  11 which department at Walgreens would that  12 procurement process go through?  13 A. There is a procurement department.  14 Q. There is. Okay. So, do you have an  15 understanding at any point in time what individuals  16 or groups under your purview would use from IMS  17 data?  18 A. I believe we had reviewed dispensing  19 history by physicians. We looked at some  20 de-identified patient demographic type information.  21 Q. In what -- in what function? How did  22 you use the two examples you just gave me?  23 A. In the Pharmaceutical Integrity.  24 Q. Okay. Anything outside of</p>	<p style="text-align: right;">Page 140</p> <p>1 IMS was used to look at purchasing habits,  2 purchasing habits of what?  3 A. Consumers.  4 Q. And the IMS, just to be a little more  5 specific, the data that they collected was in the  6 context of pharmaceuticals, correct?  7 MR. STOFFELMAYR: Objection to the form. Go  8 ahead.  9 BY THE WITNESS:  10 A. That's the one I'm familiar with. I  11 don't know if they do other things.  12 BY MR. MOUGEY:  13 Q. So, when you're saying purchasing  14 habits, you're not talking about hairbrushes in the  15 supply side at Walgreens, are you?  16 A. No.  17 Q. You're talking about pharmaceutical  18 prescriptions, correct?  19 A. Correct.  20 Q. All right. And, now, let me broaden  21 that question up because IMS, as you are aware,  22 ultimately ended up being purchased or rebranded as  23 IQVIA?  24 A. I know they went through some. I'm not</p>
<p style="text-align: right;">Page 139</p> <p>1 Pharmaceutical Integrity?  2 A. Not that I used.  3 Q. Okay. I'm not asking you. The question  4 I asked you was people under your purview.  5 Do you have an understanding of what  6 individuals under your kind of umbrella were using  7 IMS for?  8 A. The only people I know that were using  9 IMS were the ones I referenced.  10 Q. Let me broaden out the question.  11 Outside of kind of your direct report  12 chain, do you have any understanding of what  13 Walgreens was using IMS data for?  14 A. I think we use it to determine market  15 share data, to look at purchasing habits, you know.  16 Again, I'm not the expert on IMS.  17 Q. I'm not asking you to be an expert. I'm  18 asking a very general question.  19 What type of data did Walgreens use from  20 IMS as part of its day-to-day business?  21 A. Outside the ones that were in the  22 Pharmaceutical Integrity, I can't speak to it. I  23 don't know.  24 Q. When you said, referenced earlier that</p>	<p style="text-align: right;">Page 141</p> <p>1 familiar with the details.  2 Q. You understand that there is other  3 companies outside of IMS and IQVIA that have  4 similar roles that collect data regarding  5 pharmaceuticals, correct?  6 A. Yes.  7 Q. And do you know if -- does your answers  8 to any of the previous questions change if it's not  9 in the context of IMS?  10 MR. STOFFELMAYR: Objection to the form.  11 BY THE WITNESS:  12 A. I don't --  13 BY MR. MOUGEY:  14 Q. So, what I'm asking is did Walgreens use  15 any other data collection companies to -- in its  16 day-to-day business activities?  17 A. Sure.  18 Q. And what other data collection companies  19 would -- and I'm talking about in the  20 pharmaceutical context, not hairbrushes.  21 A. Well, the -- the only one that I would  22 be aware of is -- I'm trying to think of the name  23 of it. Lexecon or --  24 Q. Okay.</p>

<p style="text-align: right;">Page 142</p> <p>1 A. I think it's big in the legal area too.</p> <p>2 They do a lot of different data stuff. But I think</p> <p>3 it's Lexecon or Lexapro or something like that.</p> <p>4 Q. Do you have an understanding of what</p> <p>5 data was pulled from Lexecon or Lexapro, whatever</p> <p>6 you recall?</p> <p>7 A. It would have been data similar to what</p> <p>8 IMS provides.</p> <p>9 Q. Which would be data regarding in the</p> <p>10 context of pharmaceutical prescribing and from</p> <p>11 doctors, correct?</p> <p>12 A. Yes.</p> <p>13 Q. So, if I use the word "supply chain,"</p> <p>14 you're familiar with that just general description</p> <p>15 of what supply chain is?</p> <p>16 A. Yes.</p> <p>17 Q. So, if I use the words "upstream" and</p> <p>18 "downstream," that makes sense to you in the</p> <p>19 business context, right?</p> <p>20 A. I'd need you to be more specific.</p> <p>21 Different people have different interpretations of</p> <p>22 what those are.</p> <p>23 Q. Why don't you tell me what your</p> <p>24 understanding of what supply chain is?</p>	<p style="text-align: right;">Page 144</p> <p>1 substances?</p> <p>2 A. We used it to review drug purchasing</p> <p>3 habits across a variety of classes of medications.</p> <p>4 Q. And why would Walgreens use data to</p> <p>5 review drug purchasing habits across a variety of</p> <p>6 classes in its day-to-day business?</p> <p>7 A. Other groups were using it. I'm not</p> <p>8 sure what the actual intent of. What I saw</p> <p>9 reported was sort of market share by category kind</p> <p>10 of data that would -- that would be presented.</p> <p>11 Q. Would it be fair to say that Walgreens</p> <p>12 is using that data for competitive purposes to</p> <p>13 increase its profitability?</p> <p>14 A. I don't -- I don't know what the</p> <p>15 ultimate outcome of it is.</p> <p>16 Q. And your specific group that you were</p> <p>17 responsible for, Pharmaceutical Integrity, is it</p> <p>18 fair to say that it was using the outside vendors'</p> <p>19 data collection to discharge its responsibilities</p> <p>20 as part of its suspicious order monitoring process?</p> <p>21 A. Yes.</p> <p>22 Q. Help me to understand how Pharmaceutical</p> <p>23 Integrity would use IMS data or somebody, another</p> <p>24 vendor similar, to discharge its responsibilities</p>
<p style="text-align: right;">Page 143</p> <p>1 A. Well, supply chain --</p> <p>2 Q. In the context -- let's do it -- I'm</p> <p>3 sorry. Bad question.</p> <p>4 Why don't you tell me what your</p> <p>5 understanding of what supply chain is in the</p> <p>6 context of controlled substances?</p> <p>7 A. Manufacturer to wholesaler or</p> <p>8 distributor to pharmacists, pharmacy, dispenser, to</p> <p>9 patient.</p> <p>10 Q. There you go.</p> <p>11 A. Roughly.</p> <p>12 Q. Roughly. Just generally speaking.</p> <p>13 So, if I say "upstream" and</p> <p>14 "downstream," what is your understanding of what</p> <p>15 upstream and downstream mean in the supply chain</p> <p>16 context of controlled substances?</p> <p>17 A. Well, what it means to me.</p> <p>18 Q. Yes.</p> <p>19 A. Is upstream would be prior to dispensing</p> <p>20 and downstream would be dispensing and patient.</p> <p>21 Q. Walgreens would use a data source</p> <p>22 company, whether it be IMS or somebody similar, to</p> <p>23 gather upstream and downstream information</p> <p>24 regarding Schedule II, Schedule III controlled</p>	<p style="text-align: right;">Page 145</p> <p>1 under the suspicious order monitoring policy</p> <p>2 process.</p> <p>3 A. At a high level, because I wasn't, I</p> <p>4 wasn't the one responsible for actually doing it,</p> <p>5 the work, but we would take data provided to us by</p> <p>6 the -- by the vendor.</p> <p>7 That would help you identify what we</p> <p>8 would term high prescribing physicians, which would</p> <p>9 then allow you to do a further review or due</p> <p>10 diligence around those physicians to understand was</p> <p>11 there, you know -- what was leading to them showing</p> <p>12 up on the report.</p> <p>13 Q. And that information, as far as</p> <p>14 identifying high prescribing physicians, was</p> <p>15 helpful to Walgreens when discharging its</p> <p>16 responsibilities as a distributor, correct?</p> <p>17 A. As a dispenser?</p> <p>18 Q. As a distributor.</p> <p>19 Let me redo the question for you.</p> <p>20 That information, similar IMS or a</p> <p>21 similar vendor, on high prescribing physicians, was</p> <p>22 helpful to Walgreens when discharging its</p> <p>23 responsibility as a distributor under its</p> <p>24 suspicious order monitoring policies and</p>

<p style="text-align: right;">Page 146</p> <p>1 procedures, correct, sir?</p> <p>2 A. I don't know how that would have been</p> <p>3 used for that.</p> <p>4 Q. I'm not asking you how it was or how</p> <p>5 specifically they used it or what the exact report</p> <p>6 was.</p> <p>7 All I'm asking is: You understand that</p> <p>8 one of the metrics for identifying suspicious</p> <p>9 orders is comparing a physician's Schedule II and</p> <p>10 Schedule III opiate prescriptions to their overall</p> <p>11 prescribing habits, correct?</p> <p>12 MR. STOFFELMAYR: Objection to the form.</p> <p>13 BY THE WITNESS:</p> <p>14 A. We would have used the data to look for</p> <p>15 outliers, yes.</p> <p>16 BY MR. MOUGEY:</p> <p>17 Q. Yes, sir. Let's use -- are you</p> <p>18 comfortable with the term "red flags"? Outliers or</p> <p>19 red flags?</p> <p>20 A. I mean, there are a number of things</p> <p>21 that could be called red flags. I know the term</p> <p>22 "red flags," yes.</p> <p>23 Q. Yes, sir. You'd agree with me that</p> <p>24 outlier, red flag is kind of a similar connotation?</p>	<p style="text-align: right;">Page 148</p> <p>1 BY THE WITNESS:</p> <p>2 A. Yes.</p> <p>3 BY MR. MOUGEY:</p> <p>4 Q. Now, are you familiar with -- let me do</p> <p>5 it another way.</p> <p>6 Did the Pharmaceutical Integrity group</p> <p>7 have a resource for communicating to Walgreens</p> <p>8 employees its policies and procedures?</p> <p>9 A. Yes.</p> <p>10 Q. And what was that resource?</p> <p>11 A. Well, there were several different ways</p> <p>12 they could communicate that.</p> <p>13 Q. Help me.</p> <p>14 A. E-mail being a primary one.</p> <p>15 Q. Primary one would be e-mail. Okay.</p> <p>16 What's another one?</p> <p>17 A. They could have -- they had meetings,</p> <p>18 conference calls, things of those nature.</p> <p>19 Q. So, we had e-mails. We had conference</p> <p>20 calls. Anything else?</p> <p>21 A. Meetings. In-person meetings.</p> <p>22 Q. So, we had e-mail. We had conference</p> <p>23 calls. We had in-person meetings.</p> <p>24 Any other resources that Pharmaceutical</p>
<p style="text-align: right;">Page 147</p> <p>1 A. Similar.</p> <p>2 Q. Yes, sir. So, would Walgreens -- you</p> <p>3 would agree with me that one metric or test to</p> <p>4 identify a prescriber that was an outlier was to</p> <p>5 run metrics of the percentage of Schedule II and</p> <p>6 Schedule III opiates as a percentage of the overall</p> <p>7 prescribing habits of a physician, correct?</p> <p>8 MR. STOFFELMAYR: Objection to the form.</p> <p>9 BY THE WITNESS:</p> <p>10 A. That would have been one of the</p> <p>11 components, yes.</p> <p>12 BY MR. MOUGEY:</p> <p>13 Q. And that component, to identify outlier</p> <p>14 physicians, was an important piece of Walgreens'</p> <p>15 responsibilities as a distributor, correct, sir?</p> <p>16 MR. STOFFELMAYR: Objection to the form.</p> <p>17 BY THE WITNESS:</p> <p>18 A. It was an important part of the process,</p> <p>19 yes.</p> <p>20 BY MR. MOUGEY:</p> <p>21 Q. And the process, sir, being Walgreens'</p> <p>22 process of suspicious order monitoring as a</p> <p>23 distributor, correct, sir?</p> <p>24 MR. STOFFELMAYR: Objection to the form.</p>	<p style="text-align: right;">Page 149</p> <p>1 Integrity used to communicate with the employees</p> <p>2 regarding its policies and procedures to identify</p> <p>3 suspicious reports?</p> <p>4 A. Well, that's primarily how it would have</p> <p>5 distributed and made people aware of the policy and</p> <p>6 procedures.</p> <p>7 Q. Okay. Those three -- those three</p> <p>8 mechanisms you just relayed: e-mail, telephone</p> <p>9 conferences and -- what was the third one?</p> <p>10 A. Just meetings.</p> <p>11 Q. Just meetings.</p> <p>12 A. In-person meetings.</p> <p>13 Q. I mean, there is 250,000 employees at</p> <p>14 any given point at Walgreens, right?</p> <p>15 A. Correct. But they're not all involved</p> <p>16 in distributing or dispensing of controlled</p> <p>17 substances.</p> <p>18 Q. Yes, sir. But there is 5,000 stores,</p> <p>19 correct, sir?</p> <p>20 A. No. That's not correct.</p> <p>21 Q. There's 4,000 stores in the early 2000s.</p> <p>22 There is 8,000 stores as we get into 2015, '16,</p> <p>23 correct?</p> <p>24 A. Yes.</p>



<p style="text-align: right;">Page 150</p> <p>1 Q. There is thousands and thousands and  2 thousands of employees at Walgreens that are  3 involved in the dispensing of pharmaceuticals,  4 correct?</p> <p>5 A. Correct.</p> <p>6 Q. There is thousands and thousands and  7 thousands of employees at Walgreens that have some  8 responsibility for dispensing controlled substances  9 such as Schedule II and Schedule III opiates,  10 correct, sir?</p> <p>11 A. Correct.</p> <p>12 Q. So, meetings probably isn't a really  13 efficient forum to relay Walgreens' policies and  14 procedures to all those folks, right, unless you  15 guys have one heck of a conference room?</p> <p>16 A. Well, what I -- what I would say is that  17 the type of the communication vehicle depends on  18 the group that you're trying to reach.</p> <p>19 Q. So, if you're communicating to the  20 masses, primarily e-mails and telephone  21 conferences, right?</p> <p>22 A. E-mails, telephone conferences, LTMP,  23 training platforms, those kind of things.</p> <p>24 Q. What's LTMP stand for?</p>	<p style="text-align: right;">Page 152</p> <p>1 Walgreens' suspicious order monitoring policies and  2 procedures under Pharmaceutical Integrity, correct?</p> <p>3 A. I don't know the frequency. There were  4 updates.</p> <p>5 Q. Well, Pharmaceutical Integrity build-out  6 was complete and operational at the beginning of  7 '13, correct?</p> <p>8 A. Sometime around that time.</p> <p>9 Q. And Walgreens got out of the  10 distribution business at the kind of end of '14, is  11 that fair?</p> <p>12 MR. STOFFELMAYR: Objection to the form.  13 BY THE WITNESS:</p> <p>14 A. I'm not sure of the particular dates,  15 but something around that time.</p> <p>16 BY MR. MOUGEY:</p> <p>17 Q. I was pretty general. I didn't say  18 October 21.</p> <p>19 A. Sometime --</p> <p>20 Q. End of 2014 Walgreens was out of the  21 distribution business on Schedule II and  22 Schedule III opiates, correct?</p> <p>23 A. I believe that's generally.</p> <p>24 Q. And, sir, you understand that there were</p>
<p style="text-align: right;">Page 151</p> <p>1 A. Learning and talent management training  2 platform.</p> <p>3 Q. Walgreens has an intranet. You're  4 familiar with that term, correct?</p> <p>5 A. Yes.</p> <p>6 Q. And intranet means just when you log on  7 to the system at Walgreens, it's a centralized  8 place for Walgreens' policies and procedures to be  9 stored for Walgreens' employees, correct?</p> <p>10 A. Correct.</p> <p>11 Q. And that's an efficient way to  12 communicate with employees of Walgreens' policies  13 and procedures, correct?</p> <p>14 A. It's a form of communication, yes.</p> <p>15 Q. And, so, that would be included in the  16 mix along with the meetings and the telephone  17 conferences and the e-mails, right?</p> <p>18 A. Sure.</p> <p>19 Q. And, so, if there is updates -- there  20 were updates to Walgreens' policies and procedures  21 under Pharmaceutical Integrity on the specific  22 policies and procedures, right?</p> <p>23 A. Sure.</p> <p>24 Q. They were pretty frequent updates on</p>	<p style="text-align: right;">Page 153</p> <p>1 five different phases of Walgreens' suspicious  2 order monitoring policy and procedures during that  3 beginning of '13 towards the end of '14, correct?</p> <p>4 MR. STOFFELMAYR: Objection to the form.  5 BY THE WITNESS:</p> <p>6 A. I don't know about five different  7 phases, no.</p> <p>8 BY MR. MOUGEY:</p> <p>9 Q. Do you know that there were several  10 different phases?</p> <p>11 A. Phases to what?</p> <p>12 Q. Walgreens' suspicious order monitoring  13 policies and procedures.</p> <p>14 A. I know there were regular updates to the  15 policy and procedure. I don't --</p> <p>16 Q. You don't know how many phases. That's  17 how 30,000 foot you were. You're not familiar or  18 recall how many phases there were?</p> <p>19 A. I don't.</p> <p>20 MR. STOFFELMAYR: I don't think it's  21 intentional, but you are cutting him off a little  22 bit at the end of his answers, Peter.</p> <p>23 BY MR. MOUGEY:</p> <p>24 Q. And if I am cutting you off, I'm trying</p>

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1 to move things along. And if I am and you're not  
2 finishing your answer, just tell me and say, "I'm  
3 not done," and I'll stop because when you take a  
4 breath, I think you're done and I'm going. Okay?  
5 A. Okay.  
6 Q. And I don't mean to be cutting you off.  
7 MR. STOFFELMAYR: The video will have to be  
8 slowed down for both of you guys.  
9 MR. MOUGEY: Heck, I think I'm talking slow  
10 today.  
11 MR. STOFFELMAYR: I know.  
12 MR. MOUGEY: For a Southern boy I talk pretty  
13 fast I guess.  
14 BY MR. MOUGEY:  
15 Q. So, the Walgreens intranet, did  
16 Pharmaceutical Integrity have a place on the  
17 intranet that it used to help communicate with  
18 Walgreens' employees?  
19 A. I believe there is a link under policies  
20 and procedures or someplace there is a link.  
21 Q. Okay. And did you have the  
22 Pharmaceutical Integrity group develop a manual  
23 laying out the details of their policies and  
24 procedures regarding its suspicious order

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1 monitoring process?  
2 A. I'm sure we did.  
3 Q. You're sure you did. So, we should  
4 be -- it would be important to have a manual kind  
5 of encapsulating step by step so somebody could  
6 reference it, right?  
7 A. Well, I guess it's what you define as a  
8 manual. Is there a hard three-ring binder sitting  
9 someplace that has every step? Probably not. Are  
10 there documented steps and processes along the way?  
11 Probably.  
12 Q. And those documented steps and processes  
13 along the way, you would think that we would be --  
14 that it would be a wise business practice to  
15 encapsulate or capture the kind of different  
16 versions along the way of Walgreens' suspicious  
17 order monitoring process and procedures, right?  
18 A. I would say you would have a historical  
19 view of it.  
20 Q. So, if any given point in time a  
21 pharmacist in Topeka, Kansas wants to see what the  
22 policies and procedures are, it would make sense  
23 for there to be a kind of one place, one-stop shop  
24 for that pharmacist to go look at, right?

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1 A. Correct.  
2 MR. STOFFELMAYR: Objection to the form.  
3 Got to give me a second.  
4 THE WITNESS: Yep. Sorry.  
5 BY MR. MOUGEY:  
6 Q. And the intranet or e-mail would be a  
7 good place for those to reside so the individuals  
8 and employees at Walgreens would understand what  
9 that process is, right?  
10 A. That would -- those would be options for  
11 that, yes.  
12 Q. Are there any other options that I'm --  
13 that we are not capturing here, intranet, e-mail,  
14 other than those two, that would be a place to  
15 capture that policies and procedures at any given  
16 point in time?  
17 A. I think those are the primary places.  
18 Q. Any other ancillary ones?  
19 A. Not that I can -- not that I can think  
20 of. Communication happens in many different ways,  
21 and there is different ways that that happens  
22 during different times.  
23 Q. I hand you what we will mark as Swords  
24 6.

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1 (WHEREUPON, a certain document was  
2 marked as Walgreens-Swords Exhibit  
3 No. 6: 10/3/13 e-mail string with  
4 attachment; WAGMDL00018597 -  
5 00018610.)  
6 MR. STOFFELMAYR: Did you mean to write on  
7 this one? Is this yours?  
8 MR. MOUGEY: I did.  
9 MR. STOFFELMAYR: Save me writing "6."  
10 BY MR. MOUGEY:  
11 Q. If you would, flip through this  
12 document, sir. It's Bates numbered WAGMDL18597.  
13 It appears to be a PowerPoint with your name on the  
14 first slide if you look at Bates No. 98. Correct,  
15 sir?  
16 A. That's correct.  
17 Q. And it's dated October 2013, correct?  
18 A. That's correct.  
19 Q. And if you go back to the first page,  
20 Bates No. 97, at the bottom it's an e-mail from  
21 Ms. Polster, the head of Pharmaceutical Integrity,  
22 dated September 27, 2013, to two of her  
23 subordinates asking them to put together some  
24 slides to relay "the different tools we have

<p style="text-align: right;">Page 158</p> <p>1 built," right?</p> <p>2 A. Correct.</p> <p>3 Q. And, sir, do you have an understanding</p> <p>4 when Ms. Polster is referring to "tools" what she</p> <p>5 means?</p> <p>6 A. A general understanding.</p> <p>7 Q. General. What's your general</p> <p>8 understanding?</p> <p>9 A. Well, she's talking about the good faith</p> <p>10 dispensing, suspicious order monitoring, you know,</p> <p>11 the things that the team had put into place.</p> <p>12 Q. Okay. And good faith dispensing, which</p> <p>13 we talked a little earlier about Walgreens'</p> <p>14 responsibilities as a dispenser and Walgreens'</p> <p>15 responsibilities as suspicious order monitoring.</p> <p>16 Okay?</p> <p>17 And the GFD, good faith dispensing, and</p> <p>18 specifically the targeted good faith dispensing,</p> <p>19 that fulfills or attempts to fulfill Walgreens'</p> <p>20 responsibilities as a dispenser to monitor for</p> <p>21 suspicious orders, correct?</p> <p>22 MR. STOFFELMAYR: Objection to the form.</p> <p>23 BY THE WITNESS:</p> <p>24 A. No, that's not the purpose of that.</p>	<p style="text-align: right;">Page 160</p> <p>1 monitoring policy, the tools, assisted Walgreens or</p> <p>2 was designed to assist Walgreens to fulfill its</p> <p>3 obligations as the distributor, correct?</p> <p>4 MR. STOFFELMAYR: Objection to the form. Go</p> <p>5 ahead.</p> <p>6 BY THE WITNESS:</p> <p>7 A. Yes.</p> <p>8 BY MR. MOUGEY:</p> <p>9 Q. And you would agree with me that both</p> <p>10 the SOM tool and the GFD tool, dispenser,</p> <p>11 distributor, had some overlap?</p> <p>12 A. I'm sorry.</p> <p>13 Q. For example, the data sources used for</p> <p>14 GFD and for SOM had some overlap, correct?</p> <p>15 A. No.</p> <p>16 Q. There was -- totally different data</p> <p>17 sources. Let me ask it a different way.</p> <p>18 The data used to identify red flag</p> <p>19 prescriptions under GFD often was used to assist</p> <p>20 Walgreens to fulfill its role as a distributor</p> <p>21 under the SOM, correct?</p> <p>22 A. No.</p> <p>23 Q. You think they're totally different?</p> <p>24 A. Yes.</p>
<p style="text-align: right;">Page 159</p> <p>1 BY MR. MOUGEY:</p> <p>2 Q. What's your understanding of what the</p> <p>3 GFD is?</p> <p>4 A. The GFD targeted drug is a tool to be</p> <p>5 used by pharmacists to help them arrive at a</p> <p>6 decision as to dispense or not to dispense a</p> <p>7 prescription.</p> <p>8 Q. Okay. And maybe we're not -- speaking</p> <p>9 past each other.</p> <p>10 That tool, the GFD, was designed to</p> <p>11 fulfill Walgreens' obligations as a dispenser,</p> <p>12 correct?</p> <p>13 MR. STOFFELMAYR: Objection to the form.</p> <p>14 BY THE WITNESS:</p> <p>15 A. Again, it's a tool that a pharmacist can</p> <p>16 employ to help them arrive at a decision of</p> <p>17 dispensing a prescription or not to dispense a</p> <p>18 prescription.</p> <p>19 BY MR. MOUGEY:</p> <p>20 Q. That GFD didn't fulfill Walgreens'</p> <p>21 responsibility as a distributor, did it, sir?</p> <p>22 A. No.</p> <p>23 Q. Okay. So, on the distributor side, the</p> <p>24 other tool was the SOM, the suspicious order</p>	<p style="text-align: right;">Page 161</p> <p>1 Q. Okay. So, this was an e-mail -- this</p> <p>2 was a PowerPoint, beginning of one, built for you</p> <p>3 to help relay the tools that had been developed for</p> <p>4 market leaders?</p> <p>5 A. Correct.</p> <p>6 Q. What are market leaders?</p> <p>7 A. Regional vice presidents.</p> <p>8 Q. Of what side of what we were talking</p> <p>9 about earlier of the organization structure?</p> <p>10 A. Of the operations side.</p> <p>11 Q. Of the operations side. Under the</p> <p>12 pharmacy piece, correct?</p> <p>13 A. They have control over all retail</p> <p>14 operations.</p> <p>15 Q. Do you recall where this meeting took</p> <p>16 place?</p> <p>17 A. I'm sure this was in Deerfield.</p> <p>18 Q. In Deerfield. And let's just walk</p> <p>19 through this first slide. "Rex Swords,</p> <p>20 October 2013, Rx Integrity Update, Market</p> <p>21 Leadership Meeting," correct?</p> <p>22 A. Correct.</p> <p>23 Q. You were up to speed with the details to</p> <p>24 the point where you could sit and make a</p>

<p style="text-align: right;">Page 162</p> <p>1 presentation to the market leaders about what had  2 been implemented at Walgreens, correct?  3 A. Correct.  4 Q. On both the GFD side and the SOM side,  5 correct?  6 A. Certainly.  7 Q. I'm sorry. Yes?  8 A. Yes. I mean, I wasn't the only one in  9 the meeting. I was the one doing the facilitation  10 and the presentation. I had Tasha there as well as  11 other members.  12 Q. Sure, but you wouldn't -- I just  13 interrupted. Were you finished?  14 A. I had Tasha there as well as other  15 members of her team there.  16 Q. But you certainly wouldn't give a  17 presentation and put your name on it unless you had  18 some familiarity with the details about the  19 suspicious order monitoring policies, correct?  20 A. Correct.  21 Q. And same thing is true on the good faith  22 dispensing, you certainly wouldn't get up in front  23 of your market leaders, despite who is there, and  24 give a presentation without having some</p>	<p style="text-align: right;">Page 164</p> <p>1 Q. And that fine that Walgreens paid  2 covered Walgreens' failures to implement a system  3 to identify suspicious orders on the distribution  4 side, correct?  5 MR. STOFFELMAYR: Objection to the form.  6 BY THE WITNESS:  7 A. I know we had a settlement with them. I  8 know we paid a fine. I'm -- what the conclusions  9 of that were, I'm not.  10 BY MR. MOUGEY:  11 Q. Well, you understand that that fine that  12 Walgreens paid covered or encompassed the  13 distribution side, correct?  14 A. Yes.  15 Q. And that Walgreens' policies and  16 procedures to identify and report suspicious orders  17 were lacking in some respects, correct? You  18 understand that at least, correct?  19 MR. STOFFELMAYR: Objection to the form.  20 BY THE WITNESS:  21 A. Yes.  22 BY MR. MOUGEY:  23 Q. So, under the "Agenda, "Accomplishments  24 since the agreement," talks about the "Rx Integrity</p>
<p style="text-align: right;">Page 163</p> <p>1 understanding of the details, correct?  2 A. Correct.  3 Q. All right. On the very first slide that  4 you are relaying the accomplishments since the  5 agreement, what agreement are you referring to  6 here?  7 A. Our agreement, settlement agreement with  8 the DEA.  9 Q. And that settlement agreement -- I'm  10 sorry.  11 The "Agreement" as referenced here on  12 Bates No. 99 was the one in which Walgreens paid a  13 significant fine, correct, sir?  14 MR. STOFFELMAYR: Objection to the form.  15 BY THE WITNESS:  16 A. Yes.  17 BY MR. MOUGEY:  18 Q. And that fine covered both dispensing  19 practices and Walgreens distribution centers,  20 correct?  21 MR. STOFFELMAYR: Objection to the form.  22 BY THE WITNESS:  23 A. Correct.  24 BY MR. MOUGEY:</p>	<p style="text-align: right;">Page 165</p> <p>1 Website."  2 Do you see that?  3 A. I do.  4 Q. And is that the intranet that we were  5 referring to earlier?  6 A. Yes.  7 Q. So, if I wanted to go, Peter Mougey in  8 Pensacola, Florida wanted to log on my computer and  9 I wanted to look at the Rx Integrity website, I  10 couldn't do that, right?  11 A. No.  12 Q. I had to be a Walgreens employee?  13 A. Correct.  14 Q. Hence that intranet versus internet,  15 right?  16 A. Yes.  17 Q. Okay. And are you familiar with the  18 Rx Integrity intranet or website?  19 A. I'm familiar with where it's located  20 and --  21 Q. Generally?  22 A. Yeah.  23 Q. Did you actually go and look at it?  24 A. Sure.</p>

<p style="text-align: right;">Page 166</p> <p>1 Q. And see what kind of information on                  2 there?                  3 A. Yeah.                  4 Q. Do you think it was detailed information                  5 that would educate Walgreens' employees about its                  6 policies and procedures under the suspicious order                  7 monitoring program?                  8 A. I believe it educated -- it's meant for                  9 our retail folks. So, it educated our retail side                  10 of the equation as to what their responsibilities                  11 around the issue is, yes.                  12 Q. Okay. And in addition to educating them                  13 on the responsibilities, would it give them kind of                  14 an overview of how the suspicious order monitoring                  15 policies and procedures worked at Walgreens?                  16 A. Yeah.                  17 Q. And the next entry is the "Rx Integrity                  18 Web Portal." Can you describe to us what that is?                  19 A. That's -- that's a process for the --                  20 for the stores to communicate directly around                  21 orders and things like that.                  22 Q. And it's kind of an interface from the                  23 stores to corporate on the questions regarding                  24 specific orders, correct?</p>	<p style="text-align: right;">Page 168</p> <p>1 opiates, once that ceiling tool was hit, the store                  2 couldn't order any more, right?                  3 A. The order wouldn't be processed.                  4 Q. The order wouldn't be processed.                  5 And was that hard-and-fast or were there                  6 loopholes or exceptions around that ceiling limit?                  7 MR. STOFFELMAYR: Objection to the form.                  8 BY THE WITNESS:                  9 A. I wouldn't call them loopholes or                  10 exceptions. What they were were, there was a                  11 process once you hit that, there was an escalation                  12 process that could occur for further review if                  13 there were, you know, reasons for that to occur.                  14 BY MR. MOUGEY:                  15 Q. And that was heavily monitored to ensure                  16 that the overrides that allowed a store to go over                  17 and above that ceiling limit were monitored,                  18 correct?                  19 A. Yes.                  20 Q. There was not -- if I use the word                  21 "visibility" in regard to orders, there were people                  22 that were monitoring the overrides, so to speak,                  23 through the ceiling form -- through the override                  24 form, correct?</p>
<p style="text-align: right;">Page 167</p> <p>1 A. Yes.                  2 Q. All right. And that's kind of your --                  3 that's kind of -- would you agree with me, fair,                  4 that that's your purview of expertise or specialty                  5 at Walgreens, which was creating a system designed                  6 to promote efficiency through your career at                  7 Walgreens?                  8 A. Well, I don't --                  9 MR. STOFFELMAYR: Objection to the form. Go                  10 ahead.                  11 BY THE WITNESS:                  12 A. I don't think that's how I would                  13 characterize it. I've been involved in many                  14 efficiency projects throughout the.                  15 BY MR. MOUGEY:                  16 Q. And the next bullet, "Ceiling Limit                  17 Tool." What are ceiling limit tools?                  18 A. We had established ceiling limits in our                  19 stores around how much product could be ordered at                  20 a time, and that was a tool that we had used to                  21 administer it.                  22 Q. All right. Those ceiling limit tools,                  23 once it was hit, there was -- and I'm talking                  24 specifically about Schedule II, Schedule III</p>	<p style="text-align: right;">Page 169</p> <p>1 A. Yes.                  2 Q. And the different -- there is several                  3 different ways for stores to order Schedule II and                  4 Schedule III opiates if over and above the ceiling                  5 limit, correct?                  6 A. Different ways for them to order?                  7 Q. Yes, sir. Over and above the ceiling                  8 limit.                  9 A. Over and above the ceiling limit they                  10 have to go through the Pharmaceutical Integrity in                  11 order for them --                  12 Q. And is that --                  13 A. -- for the order to be processed.                  14 Q. Okay. Is that true from the beginning                  15 of '13 all the way through the end of '14?                  16 A. That's my understanding.                  17 Q. Because that would be a pretty big hole                  18 in the system if a pharmacist could order above the                  19 ceiling limit through another means and it wasn't a                  20 review and approved by the Pharmaceutical Integrity                  21 group, right?                  22 A. Our intent was --                  23 MR. STOFFELMAYR: Objection to the form. Go                  24 ahead.</p>



<p style="text-align: right;">Page 170</p> <p>1 BY THE WITNESS:</p> <p>2 A. Our intent was to capture all the</p> <p>3 orders.</p> <p>4 BY MR. MOUGEY:</p> <p>5 Q. Right. Because it would be a</p> <p>6 significant hole if a pharmacist was able to order</p> <p>7 more Schedule II and Schedule III opiates above the</p> <p>8 ceiling limit without it being approved by the</p> <p>9 Pharmaceutical Integrity group, correct?</p> <p>10 A. That would -- that would have been an</p> <p>11 exception to what the process was intended to be.</p> <p>12 Q. And I want to make sure. I appreciate</p> <p>13 that it was an exception and for what it was</p> <p>14 intended.</p> <p>15 But the point of this system was for</p> <p>16 Pharmaceutical Integrity to review and approve</p> <p>17 orders, correct?</p> <p>18 A. Yes.</p> <p>19 Q. And review and approve orders especially</p> <p>20 over the ceiling limit, correct?</p> <p>21 A. Yes.</p> <p>22 Q. Because an order over the ceiling limit</p> <p>23 would be an outlier, correct?</p> <p>24 A. Yes.</p>	<p style="text-align: right;">Page 172</p> <p>1 pharmacist was able to go around the over -- the</p> <p>2 ceiling limits tool outside of the approval process</p> <p>3 of Pharmaceutical Integrity for Schedule II and</p> <p>4 Schedule III opiates, correct, sir?</p> <p>5 MR. STOFFELMAYR: Objection to the form.</p> <p>6 BY THE WITNESS:</p> <p>7 A. Well, I don't know that I'd say it was a</p> <p>8 problem. It would be, you know, it would be</p> <p>9 opposite of what we were trying to accomplish,</p> <p>10 right? So, we'd want to understand what was</p> <p>11 happening there and then correct that.</p> <p>12 BY MR. MOUGEY:</p> <p>13 Q. I'm a little confused. It's not a</p> <p>14 problem, but it's an opposite of what you're trying</p> <p>15 to accomplish.</p> <p>16 What you were trying to accomplish, when</p> <p>17 I say "you," I mean Walgreens through</p> <p>18 Pharmaceutical Integrity, was that, A, to design a</p> <p>19 system to identify suspicious orders, correct?</p> <p>20 A. Yes.</p> <p>21 Q. And that if those suspicious orders,</p> <p>22 once they were identified, to have further inquiry</p> <p>23 or due diligence, correct?</p> <p>24 A. Yes.</p>
<p style="text-align: right;">Page 171</p> <p>1 Q. And that would be a red flag that</p> <p>2 warranted more inquiry, correct?</p> <p>3 A. It would require further review, yes.</p> <p>4 Q. Yes, sir. And if there were ways around</p> <p>5 that ceiling tool to order more Schedule II and</p> <p>6 Schedule III, that exception could possibly swallow</p> <p>7 the rule, the ceiling tool, correct?</p> <p>8 MR. STOFFELMAYR: Objection to the form. Go</p> <p>9 ahead.</p> <p>10 BY THE WITNESS:</p> <p>11 A. It would have been an exception to the</p> <p>12 ceiling tool. That --</p> <p>13 BY MR. MOUGEY:</p> <p>14 Q. And that was -- go ahead.</p> <p>15 A. That was not intended.</p> <p>16 Q. And by "not intended," meaning sitting</p> <p>17 here today you can't think or identify any</p> <p>18 exceptions to the ceiling limits tool that were not</p> <p>19 being reviewed and approved by Pharmaceutical</p> <p>20 Integrity, correct?</p> <p>21 A. Not sitting here today, no.</p> <p>22 Q. You can't think of any?</p> <p>23 A. I can't think of any, no.</p> <p>24 Q. Because that would be a problem if a</p>	<p style="text-align: right;">Page 173</p> <p>1 Q. And in order for those two steps,</p> <p>2 identify the suspicious orders and perform further</p> <p>3 due diligence, that would mean that the orders</p> <p>4 needed to be funneled through Pharmaceutical</p> <p>5 Integrity, correct?</p> <p>6 A. It was important for us to have all the</p> <p>7 order information.</p> <p>8 Q. When we started talking about visibility</p> <p>9 before, the visibility of orders outside of the</p> <p>10 ceiling limits tool should be, the process was</p> <p>11 designed so that Pharmaceutical Integrity had to</p> <p>12 approve those, correct?</p> <p>13 A. Yes.</p> <p>14 Q. And the next entry is the "Controlled</p> <p>15 Substance Override Form," correct?</p> <p>16 A. Yes.</p> <p>17 Q. And that's an example of a store</p> <p>18 entering an order that exceeded the ceiling limits</p> <p>19 tool that Pharmaceutical Integrity had to review</p> <p>20 and approve, correct?</p> <p>21 A. That's correct.</p> <p>22 Q. And it is important for it to have an</p> <p>23 effective system that those -- all of the</p> <p>24 exceptions to the ceiling limits tool be closed and</p>

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1 have to be run through Pharmaceutical Integrity for  
2 approval, correct?  
3 MR. STOFFELMAYR: Objection to the form.  
4 BY MR. MOUGEY:  
5 Q. That's the point of the system that  
6 Walgreens designed, correct?  
7 BY MR. MOUGEY:  
8 A. That was the intention of the system.  
9 Q. The next entry, the Form 106, that's a  
10 theft loss form to the DEA, correct, sir?  
11 A. Yes.  
12 Q. And then the "Pharmacist GFD  
13 Opportunities Review Tool."  
14 Do you see that?  
15 A. Yes.  
16 Q. Okay. And now, if you would, sir, go to  
17 the very next page. And this is the Pharmaceutical  
18 Integrity intranet available to website employees  
19 or an example of a screen shot, right?  
20 A. Yes.  
21 Q. If you look in that left-hand column,  
22 you'll see links to the DEA, right?  
23 A. Yes.  
24 Q. And by the "DEA Website," the "DEA Local

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1 Office Locations," the "Pharmacists Manual."  
2 Do you see that, sir?  
3 A. Yes.  
4 Q. And under -- below that, "Policies and  
5 Procedures," you see the "Target Drug Good  
6 Faith" -- is it "Dispensing"?  
7 A. Yes.  
8 Q. Yes. And then below that, "Controlled  
9 Substance Prescriptions and Good Faith Dispensing,"  
10 correct?  
11 A. Yes.  
12 Q. Now, those are Walgreens attempting to  
13 fulfill its obligations on the dispensing side,  
14 correct?  
15 MR. STOFFELMAYR: Objection to the form.  
16 BY THE WITNESS:  
17 A. Yes.  
18 BY MR. MOUGEY:  
19 Q. And, hence, both of those have the word  
20 "dispensing" in them, correct?  
21 A. Yes.  
22 Q. And you see below, at the very last  
23 entry, "Rx Integrity Operations," "Rx Integrity Web  
24 Portal"?

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1 A. Yes.  
2 Q. And "Contact Rx Integrity." It's just a  
3 link and it shoots an e-mail back, correct?  
4 A. Yes.  
5 Q. Now, that "Operations" section, that is  
6 more -- I'm going to use the word "operational."  
7 Is that a fair description?  
8 A. I'm not sure what you mean by  
9 "operational."  
10 Q. Right. Let's just use "operational" in  
11 the same context you use it 15, 20, 30 times in  
12 your CV.  
13 MR. STOFFELMAYR: Objection to the form.  
14 BY THE WITNESS:  
15 A. What this is referring to is a way to  
16 contact the Rx Integrity operations group.  
17 BY MR. MOUGEY:  
18 Q. Yes, sir. And the entry above that, the  
19 web portal, is more of an operational component,  
20 meaning forms and ways to communicate back with  
21 Rx Integrity, right?  
22 A. Yes.  
23 Q. And when I say "operational" and the way  
24 you use it in your CV, it's a means to communicate

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1 between the stores and Rx Integrity, correct?  
2 A. Yes.  
3 Q. Not policies and procedures about what  
4 the SOM policy, suspicious order monitoring  
5 policies and procedures are, right?  
6 MR. STOFFELMAYR: Objection to the form.  
7 BY THE WITNESS:  
8 A. No.  
9 BY MR. MOUGEY:  
10 Q. So, if we go above that, FAQ, Frequently  
11 Asked Questions, the first entry is, "How do you  
12 complete an override form?" Right?  
13 A. Yes.  
14 Q. "How to place orders for C-II through  
15 C-V and PSE," correct?  
16 A. Yes.  
17 Q. And that's Schedule II through V are  
18 controlled substances, correct?  
19 A. Yes.  
20 Q. And PSE -- I can never remember what  
21 that stands for.  
22 A. Pseudoephedrine.  
23 Q. Thank you. And the last, third bullet,  
24 "DEA Visit Guidelines 'Do's and Don'ts.'" So,

<p style="text-align: right;">Page 178</p> <p>1 that's when the DEA shows up and asks questions, 2 correct? 3 A. Yes. 4 Q. Now, above that there are some forms, 5 override form again, along with a couple of others, 6 correct? 7 A. Yes. 8 Q. Do you see anywhere on this list -- and 9 when it's blue like that and it has a little 10 underline, that's a link, right? 11 A. Correct. 12 Q. You can click on it and it'll take you 13 somewhere else on the Walgreens intranet, correct? 14 A. Correct. 15 Q. Now, do you see anywhere on all these 16 links under Rx Integrity where Pharmaceutical 17 Integrity would relay to its stores the intent or 18 the purpose of the suspicious order monitoring 19 policies on its distribution side? 20 A. No. 21 Q. Do you see anything on here that would 22 help communicate with the distribution centers 23 about what the purpose of the suspicious order 24 monitoring policies and procedures are and how they</p>	<p style="text-align: right;">Page 180</p> <p>1 program? 2 A. No, because this was retail-focused. 3 This was not focused on the distribution side. It 4 was focused on the dispensing side. 5 Q. But can you point me to somewhere, a 6 document that exists which encapsulates Walgreens' 7 suspicious order monitoring policies and procedures 8 at any given point in time? 9 A. No, I can't point you to it. 10 Q. So, that would go back to where we 11 started this. I should look in the e-mails and 12 those kind of communications to find what the 13 policies and procedures are? 14 MR. STOFFELMAYR: Objection to the form. 15 BY THE WITNESS: 16 A. Correct. 17 BY MR. MOUGEY: 18 Q. Getting -- you prepared for today, 19 right? 20 A. Certainly. 21 Q. And did you review documents in 22 preparation for today? 23 MR. STOFFELMAYR: Answer yes or no to that 24 question.</p>
<p style="text-align: right;">Page 179</p> <p>1 apply to the distribution centers? 2 A. No. 3 Q. Do you see any -- I'm going to call it a 4 manual and you referred -- you and I are close to 5 the same age. A three-ring binder, like old 6 school. 7 Anything like that manual in the 8 electronic form encapsulating what Pharmaceutical 9 Integrity's current set of suspicious order 10 monitoring policies and procedures are? 11 A. Well, there is nothing here that says a 12 manual. I would say in today's day and age this 13 would be classified as a manual today. 14 Q. This would be classified. But can you 15 find anywhere, point me to anywhere in all those 16 blue links about, as of October of '13, what 17 Walgreens' policies and procedures were regarding 18 its suspicious order monitoring program? 19 A. No. 20 Q. And is the same true if you look at this 21 entire page, do you see anything specific to 22 Walgreens Pharmaceutical Integrity communicating 23 with its employees about what its policies and 24 procedures were for its suspicious order monitoring</p>	<p style="text-align: right;">Page 181</p> <p>1 BY THE WITNESS: 2 A. Yes. 3 BY MR. MOUGEY: 4 Q. All right. Can you -- in preparation 5 for today, can you point me to any document that 6 you can remember that encapsulates Walgreens' 7 Pharmaceutical Integrity Department suspicious 8 order monitoring policies and procedures at any 9 given point in time? 10 MR. STOFFELMAYR: For now just answer yes or 11 no. 12 BY THE WITNESS: 13 A. No. 14 BY MR. MOUGEY: 15 Q. All right. The next page, "Rx Integrity 16 Website." 17 I will tell you what. I think that -- 18 MR. STOFFELMAYR: We have gone about two 19 hours. 20 MR. MOUGEY: Sure. 21 MR. STOFFELMAYR: If you are done with this 22 document or want to break in the middle of it. 23 MR. MOUGEY: Let me just flip through it real 24 quick.</p>

<p style="text-align: right;">Page 182</p> <p>1 MR. STOFFELMAYR: Sure.</p> <p>2 MR. MOUGEY: Okay. It's good.</p> <p>3 MR. STOFFELMAYR: All right.</p> <p>4 MR. MOUGEY: Thank you.</p> <p>5 THE VIDEOGRAPHER: We are off the record at</p> <p>6 11:10 a.m.</p> <p>7 (WHEREUPON, a recess was had</p> <p>8 from 11:10 to 11:24 a.m.)</p> <p>9 THE VIDEOGRAPHER: We are back on the record</p> <p>10 at 11:24 a.m.</p> <p>11 BY MR. MOUGEY:</p> <p>12 Q. Bear with me one second.</p> <p>13 We just went through a series of slides</p> <p>14 where you referenced an agreement, and you and I</p> <p>15 went through a series of questions discussing the</p> <p>16 agreement with the -- with the DEA.</p> <p>17 Have you had an opportunity to review</p> <p>18 the agreement in its entirety?</p> <p>19 A. I reviewed it years ago when it</p> <p>20 occurred. I haven't reviewed it recently.</p> <p>21 Q. Okay. And I'm going to hand you what we</p> <p>22 are going to mark as Swords 7.</p> <p>23 (WHEREUPON, a certain document was</p> <p>24 marked as Walgreens-Swords Exhibit</p>	<p style="text-align: right;">Page 184</p> <p>1 Let's start on the very first page</p> <p>2 titled "Settlement and Memorandum of Agreement."</p> <p>3 Do you see that, sir?</p> <p>4 A. I do.</p> <p>5 Q. And it has a section titled "Procedural</p> <p>6 Background." The next section is "Stipulation and</p> <p>7 Agreement." Okay?</p> <p>8 A. Yes.</p> <p>9 Q. And if you page -- if you turn to the</p> <p>10 very last two pages of this agreement, 11, 12, and</p> <p>11 13, the last three pages, you'll see a series of</p> <p>12 signatures?</p> <p>13 A. Okay.</p> <p>14 Q. And one of those is Thomas Sabatino, who</p> <p>15 is the executive VP, general counsel and corporate</p> <p>16 secretary.</p> <p>17 Do you see that?</p> <p>18 A. Yes, I do.</p> <p>19 Q. And page 11 of 13 -- I'm sorry. Yes.</p> <p>20 Page 11 of 13 is dated 6/10 of '13.</p> <p>21 Do you see that?</p> <p>22 A. On page 12?</p> <p>23 Q. Page 11.</p> <p>24 A. Okay. Yes.</p>
<p style="text-align: right;">Page 183</p> <p>1 No. 7: Binder containing</p> <p>2 Settlement and Memorandum of</p> <p>3 Agreement and other documents;</p> <p>4 WAGMDL00490963 - 00490973;</p> <p>5 P-WAG-0001.)</p> <p>6 BY MR. MOUGEY:</p> <p>7 Q. This document as compared to several</p> <p>8 others have a few different page numbering systems</p> <p>9 on it and it gets a little confusing. Okay?</p> <p>10 So, let me see if I can -- to make it</p> <p>11 easier for you and I to communicate, there is a</p> <p>12 series of numbers after the 13 pages that -- the</p> <p>13 first 1 through 13, that's the signed version.</p> <p>14 Okay?</p> <p>15 A. Okay.</p> <p>16 Q. And after the first 13 --</p> <p>17 A. The next --</p> <p>18 Q. -- there is another 1 of 3. Do you see</p> <p>19 that?</p> <p>20 A. 1 of 3.</p> <p>21 Q. Actually, let me even --</p> <p>22 A. Yes.</p> <p>23 Q. Let me take a step back. Let's just do</p> <p>24 this.</p>	<p style="text-align: right;">Page 185</p> <p>1 Q. All right. And then below that, I think</p> <p>2 we've found our missing Alice.</p> <p>3 A. You found Alice.</p> <p>4 Q. There she is. What's the name of that</p> <p>5 book, Finding Waldo?</p> <p>6 So, Alice Fisher --</p> <p>7 MR. STOFFELMAYR: Finding Nemo. Where's</p> <p>8 Waldo.</p> <p>9 MR. MOUGEY: I always get those two mixed up.</p> <p>10 BY MR. MOUGEY:</p> <p>11 Q. Alice Fisher, Philip Perry at</p> <p>12 Latham &amp; Watkins.</p> <p>13 Is Alice one of the lawyers you were</p> <p>14 meeting with to help educate yourself on the</p> <p>15 details of Walgreens' responsibilities under the</p> <p>16 Controlled Substance Act?</p> <p>17 A. Yes.</p> <p>18 Q. And then below you will see another</p> <p>19 lawyer, David Weinstein with Clarke and</p> <p>20 Silvergate. Does that ring a bell?</p> <p>21 A. Yes.</p> <p>22 Q. Is David another lawyer that you met</p> <p>23 with?</p> <p>24 A. Yes.</p>

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1 Q. How about Philip Perry? Does that ring  
2 a bell?

3 A. Maybe. I know there was another one. I  
4 don't -- that might have been. I'm sure it was  
5 him.

6 Q. Did you take part in any of the  
7 discussions prior to this agreement being executed  
8 in June of '13 or were the conversations with  
9 counsel after the -- this agreement was executed?

10 A. No, I was part of the discussions with  
11 counsel prior.

12 Q. Okay. Were you -- who else besides you  
13 was participating in conversations with outside and  
14 inside counsel regarding the DEA investigations?

15 A. I can tell you that I know Tasha was  
16 involved in it. Outside that, I'm not sure who  
17 else.

18 Q. Was the purpose of your conversations to  
19 assist Walgreens in its defense or was the purpose  
20 of your conversations with counsel to educate you  
21 on the details of Walgreens' obligations under the  
22 Controlled Substance Act as a distributor?

23 MR. STOFFELMAYR: Objection to the form.  
24 BY THE WITNESS:

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1 A. I would say I served both purposes at  
2 different times.

3 BY MR. MOUGEY:

4 Q. Okay. Were the topics of different  
5 meetings with these lawyers designed around  
6 assisting in the defense and then at other points  
7 in times you sat down with Walgreens' outside  
8 counsel being educated on Walgreens'  
9 responsibilities under the Controlled Substance  
10 Act?

11 A. Yes.

12 MR. STOFFELMAYR: Objection. Sorry.

13 THE WITNESS: Sorry.

14 MR. MOUGEY: I'm sorry.

15 BY MR. MOUGEY:

16 Q. You're able to kind of distinguish which  
17 meetings you were assisting with the defense of  
18 Walgreens with counsel as opposed to meetings with  
19 outside counsel or inside counsel educating  
20 yourself on Walgreens' responsibilities under the  
21 Controlled Substance Act for the development of  
22 Pharmaceutical Integrity?

23 A. Well, there were -- there were separate  
24 meetings and then there were meetings that one

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1 subject would bleed into the other and back and  
2 forth.

3 Q. But there were some separate meetings?

4 A. Yes.

5 Q. What I'd like you to do is flip to,  
6 there is a next section, page 1, 2, and 3.

7 A. Okay.

8 Q. Go through that. And then you'll see  
9 page 1 of 143.

10 Do you see that?

11 A. Page 1 of 143?

12 Q. Right.

13 A. Oh.

14 MR. STOFFELMAYR: Do you mind if I -- got it.  
15 BY THE WITNESS:

16 A. Page 1 of 343. Is that it?

17 MR. STOFFELMAYR: Page 1 of 343. You got it  
18 right.

19 BY MR. MOUGEY:

20 Q. Let's start at page 1 of 143 -- of 343,  
21 and I'm going to refer to those numbers to make it  
22 easy for you and I to go back and forth.

23 A. Okay.

24 Q. Okay. Let's kind of walk through.

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1 Do you recall there is different pieces  
2 of this document referring to different  
3 investigations at different Walgreens stores and  
4 distribution centers around the country?

5 A. Yes.

6 Q. All right. So, let's start on page 1 of  
7 143 under the "Procedural Background." Under 1,  
8 "Walgreens owns or operates (or has previously  
9 owned and operated) distribution centers that are  
10 or were registered with the DEA as distributors of  
11 Schedule II through V controlled substances."  
12 Right?

13 A. Yes.

14 Q. And that's -- we have been talking about  
15 this morning Walgreens' responsibility as a  
16 distributor, correct?

17 A. That's part of what we've talked about  
18 today, yes.

19 Q. Yes, sir. Thank you.

20 And then paragraph 2 is referencing  
21 "Walgreens owns or operates (or has previously  
22 owned or operated) pharmacies that are or were  
23 registered with the DEA as retail chain  
24 pharmacies."



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<p>1 That's what we have been referring as 2 dispensaries, correct? 3 A. Correct. 4 Q. Now, if we go down to paragraph 3, 5 references "On April 7, 2011, Walgreens entered 6 into a Settlement and Release Agreement and 7 Administrative Memorandum of Agreement with DEA," 8 and that's Appendix A. 9 Do you have a recollection, do we need 10 to go back to Appendix A or do you have a 11 recollection of what conduct that covers? 12 A. Well, I'd have to see it. 13 Q. Okay. 14 A. If you have a page number. 15 MR. STOFFELMAYR: You guys okay? 16 MR. MOUGEY: No, bear with me. 17 I'm going to have -- we're going to have 18 to find it because I had them tabbed out and we 19 switched gears here. So, just bear with me. Okay. 20 BY MR. MOUGEY: 21 Q. Turn to page 14. 22 A. Okay. 23 Q. Page 14 is Appendix A and you see on 24 page 15 it's titled "Administrative Memorandum of</p>	<p>1 of 343, paragraph 4 and 5 reference -- 2 A. Let me catch up with you. 3 Q. Yes, sir. I'm sorry. 4 A. Okay. 5 Q. Paragraphs 4 and 5 reference Walgreens 6 distribution center and that encompasses or the 7 scope is Walgreens as a distributor, correct, sir? 8 A. Yes. 9 Q. And that, sir, is Exhibit B, correct? 10 A. I'd have to see Exhibit B. 11 Q. Exhibit B is page 23 of 43. 12 A. So, 23 of 343? 13 Q. Yes, sir. 14 A. Okay. So, I'm sorry. What's the 15 question? 16 Q. I just want to go through what the 17 scope. You couldn't remember exactly what the 18 scope of each one of these pieces were, and we're 19 going to look through them. Okay? 20 A. Okay. 21 Q. Because I understand this is a large 22 document, and it's difficult to kind of wield your 23 way through. 24 Exhibit B, Page No. 23 of 343, is dated</p>
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<p>1 Agreement." 2 Do you see that? 3 A. Yes. 4 Q. And if you look under "Background," it 5 refers to "September 30, 2009, Deputy Assistant 6 Administrator, Office of Diversion Control issued 7 an Order to Show Cause proposing to revoke DEA 8 Certificate of Registration," goes through the DEA 9 number and it references the San Diego, California 10 address, correct, sir? 11 A. It does. 12 Q. And then the next paragraph references 13 an OTSC, Order to Show Cause, and it goes through 14 1, 2, 3 and 4, which relate to the scope of 15 Walgreens' responsibilities as a dispensary or a 16 pharmacy, correct? 17 A. Yes. 18 MR. STOFFELMAYR: Objection to the form. 19 Give me a second. 20 BY MR. MOUGEY: 21 Q. 1, 2, 3 and 4 refer to Walgreens as a 22 pharmacy, correct, sir? 23 A. Yes. 24 Q. All right. And if you go back to page 1</p>	<p>1 September 13 of 2012. 2 Do you see that? 3 A. Yes. 4 Q. And that is directed to Walgreens, 5 correct? 6 A. Yes. 7 Q. And it's from the Department of Justice, 8 correct? 9 A. Yes. 10 Q. And it's titled "Order to Show Cause and 11 Immediate Suspension of Registration," correct? 12 A. Yes. 13 Q. You'd agree with me that's kind of a big 14 deal when you get an Order to Show Cause with an 15 immediate suspension from the Department of 16 Justice, correct? 17 A. Yes. 18 Q. And the very first paragraph under 19 "Notice," this is the second paragraph, "is hereby 20 given to inform Walgreen Corporation of the 21 immediate suspension of DEA Certificate of 22 Registration," it gives a number, and it cites 23 "pursuant to 21 USC Section 824(d), because such 24 registration constitutes an imminent danger to the</p>

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1 public health and safety."  
2 Do you see that, sir?  
3 A. I do.  
4 Q. And, sir, you understand that paragraph  
5 that we just read is the Department of Justice  
6 believes that the distribution center operated by  
7 Walgreens poses an imminent danger to the public  
8 health and safety?  
9 A. That's what it says.  
10 Q. And as a result, it issued an immediate  
11 suspension of Walgreens' distribution centers  
12 registration, correct, sir?  
13 A. That's what it says.  
14 Q. Under paragraph 1, the distribution  
15 center is Walgreens' Jupiter, Florida distribution  
16 center and it provides the registration number,  
17 correct, sir?  
18 A. Yes.  
19 Q. And, sir, Jupiter is one of three  
20 Walgreens distribution centers at that point in  
21 time that distributed Schedule II opiates, correct?  
22 A. That is correct.  
23 Q. It was Jupiter, Perrysburg and Woodland,  
24 California, correct, sir?

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1 A. Correct.  
2 Q. And if you would, sir, please turn to  
3 page 24 of 343.  
4 Sir, you understand that oxycodone is a  
5 Schedule II controlled substance, correct?  
6 A. Yes.  
7 Q. And Schedule II have a higher risk of  
8 addiction and abuse than a Schedule III opiate,  
9 correct, sir?  
10 A. That's generally how the classification  
11 works.  
12 Q. Schedule II has a medicinal use, but a  
13 highly addictive and high potential for abuse,  
14 correct?  
15 A. Generally speaking, yes.  
16 Q. Paragraph 3 on page 24 of 343,  
17 "Oxycodone is a dangerously addictive Schedule II  
18 controlled substance which is known to be highly  
19 abused and diverted in the State of Florida."  
20 Do you see that, sir?  
21 A. I see that, yes.  
22 Q. Do you agree with that statement from  
23 the DEA?  
24 MR. STOFFELMAYR: Objection to the form.

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1 BY THE WITNESS:  
2 A. I agree that oxycodone is a Schedule II  
3 controlled substance.  
4 BY MR. MOUGEY:  
5 Q. Do you agree --  
6 A. And can be addictive.  
7 Q. Do you agree that it's dangerously  
8 addictive?  
9 A. All drugs by prescription are classified  
10 as dangerous drugs.  
11 Q. Yes, sir. And they're categorized,  
12 correct, sir?  
13 A. Yes, sir.  
14 Q. And Schedule II is the lowest -- or let  
15 me do it the other way.  
16 Schedule II is the -- is the category  
17 with the highest probability of abuse with some  
18 medicinal value, correct?  
19 A. Actually, that would be Schedule I.  
20 Q. Schedule I has no medicinal value,  
21 correct?  
22 A. No, that's not correct. Cocaine is  
23 Schedule I and it has medicinal value.  
24 Q. Okay. Cocaine has medicinal value.

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1 I'll go with that.  
2 So, oxycodone is one schedule behind  
3 cocaine, correct?  
4 A. It is a Schedule II drug.  
5 Q. And one schedule behind cocaine,  
6 correct?  
7 A. There are other drugs in Schedule I as  
8 well.  
9 Q. I understand.  
10 A. I gave you --  
11 Q. I'm asking you --  
12 A. I gave you one example.  
13 Q. And I didn't ask you all of them. I'm  
14 just saying that schedule --  
15 A. It's in a different --  
16 Q. Oxycodone is one schedule behind  
17 cocaine, correct?  
18 A. It is in Schedule II, yes.  
19 Q. Yes, sir. One schedule behind. I  
20 don't -- the jury is not going to know if there is  
21 1.1, 1.2, 1.3, all the way to 1.99. What I'm  
22 asking you is a pretty clear question.  
23 Oxycodone is one schedule behind  
24 cocaine, correct, sir?

<p style="text-align: right;">Page 198</p> <p>1 MR. STOFFELMAYR: Move to strike the speech.          2 But go ahead and answer the question.          3 BY THE WITNESS:          4 A. Oxycodone is a Schedule II narcotic,          5 yes.          6 BY MR. MOUGEY:          7 Q. And it is one schedule behind cocaine,          8 correct, sir?          9 A. Yes.          10 Q. Thank you. Sir, if you would, please,          11 turn to page 25, it's the next page, of 343 under          12 paragraph 6. And I want to take your attention to          13 middle of the paragraph, the sentence begins with          14 "Respondent."          15 Do you see that, sir?          16 A. I do.          17 Q. And you understand that Respondent is          18 Walgreens?          19 A. That's my understanding.          20 Q. "Respondent failed to conduct adequate          21 due diligence of its retail stores, including but          22 not limited to, the six stores identified above,          23 and continued to distribute large amounts of          24 controlled substances to pharmacies that it knew or</p>	<p style="text-align: right;">Page 200</p> <p>1 including but not limited to, the six stores          2 identified above, and continued to distribute large          3 amounts of controlled substances to pharmacies that          4 it knew or should have known were dispensing those          5 controlled substances pursuant to prescriptions"?          6 MR. STOFFELMAYR: Objection to the form.          7 BY THE WITNESS:          8 A. No, I don't -- I don't particularly          9 agree with the full statement here.          10 BY MR. MOUGEY:          11 Q. You don't agree. Do you agree with any          12 part of it? Do you agree that Walgreens failed to          13 conduct adequate due diligence of its retail          14 stores?          15 MR. STOFFELMAYR: Same objection.          16 BY THE WITNESS:          17 A. Yes, I would -- I would say that there          18 were -- there were some challenges around these six          19 particular stores out of the 800 or so we have in          20 Florida.          21 BY MR. MOUGEY:          22 Q. The next paragraph, "The DEA's          23 investigation of Respondent also revealed that          24 Walgreens failed to detect and report suspicious</p>
<p style="text-align: right;">Page 199</p> <p>1 should have known that were dispensing those          2 controlled substances pursuant to prescriptions."          3 Do you see that, sir?          4 A. I do.          5 Q. Do you agree with that sentence?          6 MR. STOFFELMAYR: Objection to the form.          7 BY THE WITNESS:          8 A. I agree that that's what that says, yes.          9 BY MR. MOUGEY:          10 Q. I understand that's what it says, and I          11 appreciate that you agree with me that that's what          12 it says.          13 But what I'm asking is, do you, Rex          14 Swords, agree with the DEA's statement on page 25          15 of 43 that we just -- 343 that we just read?          16 MR. STOFFELMAYR: Same objection.          17 BY THE WITNESS:          18 A. I agree that that's the allegation that          19 the DEA had at the time of the order of injunction.          20 BY MR. MOUGEY:          21 Q. But what I'm asking you is a little          22 different. Do you agree with the DEA's statement          23 that "Respondent," Walgreens, "failed to conduct          24 adequate due diligence of its retail stores,</p>	<p style="text-align: right;">Page 201</p> <p>1 orders by its pharmacy customers in violation of          2 21 CFR," Code of Federal Regulations, "Section          3 1301.74(b)."          4 Do you see that, sir?          5 A. I do.          6 Q. Do you agree with the DEA's statement          7 that I just read?          8 MR. STOFFELMAYR: Objection to the form.          9 BY THE WITNESS:          10 A. What I agree with is that's the DEA's          11 position, that it failed to.          12 BY MR. MOUGEY:          13 Q. Do you agree, sir, with the DEA's          14 statement that Walgreens failed to detect and          15 report suspicious orders by its pharmacy customers          16 in violation of 21 CFR Section 1301.74(b)?          17 MR. STOFFELMAYR: Objection to the form.          18 BY THE WITNESS:          19 A. No, because my understanding is that we          20 did detect and report them to the DEA.          21 BY MR. MOUGEY:          22 Q. Your understanding is that Walgreens          23 detected and reported suspicious orders to the DEA?          24 A. Yes.</p>

<p style="text-align: right;">Page 202</p> <p>1 Q. Through what mechanism, sir? What  2 reporting mechanism?</p> <p>3 A. My understanding is that we supplied  4 them with both manual reports as well as electronic  5 media that contained those records.</p> <p>6 Q. And do you understand what the criteria  7 is for those reports?</p> <p>8 A. I do not.</p> <p>9 Q. Sitting here today, you have no idea  10 what those reports were?</p> <p>11 A. No.</p> <p>12 Q. You don't know what the -- what the  13 formula or mechanism for those reports was?</p> <p>14 A. No.</p> <p>15 Q. Have you ever seen one of the reports?</p> <p>16 A. I have not.</p> <p>17 Q. So, your statement that you disagree  18 with paragraph 7 on page 25 is based on someone  19 telling you that we did give or provide the DEA  20 suspicious reports that we detected through its  21 system to identify suspicious orders?</p> <p>22 MR. STOFFELMAYR: Objection to the form.  23 BY THE WITNESS:</p> <p>24 A. Yes.</p>	<p style="text-align: right;">Page 204</p> <p>1 MR. STOFFELMAYR: Objection to the form.</p> <p>2 BY THE WITNESS:</p> <p>3 A. The purpose was to detect diversion,  4 misuse.</p> <p>5 BY MR. MOUGEY:</p> <p>6 Q. And what do you -- what do you think  7 that -- was the purpose of reporting these  8 suspicious orders fulfilled if the orders came --  9 the suspicious order reporting came 30 days after  10 the order was shipped?</p> <p>11 MR. STOFFELMAYR: Objection to the form.  12 BY THE WITNESS:</p> <p>13 A. I believe that the early understanding  14 was that the obligation was to report and the  15 investigative side of it was the DEA's  16 responsibility.</p> <p>17 BY MR. MOUGEY:</p> <p>18 Q. But what I'm asking you was -- is a  19 little different.</p> <p>20 The purpose of the reports identifying  21 suspicious orders was to assist the DEA to identify  22 potential areas of diversion, right?</p> <p>23 A. Correct.</p> <p>24 Q. And do you agree that in order to</p>
<p style="text-align: right;">Page 203</p> <p>1 BY MR. MOUGEY:</p> <p>2 Q. But you've never seen them, you don't --  3 haven't done any due diligence to see what the  4 trigger of the metric on the report was?</p> <p>5 A. No.</p> <p>6 Q. You don't have any specifics sitting  7 here today of what that report was?</p> <p>8 A. No.</p> <p>9 Q. What do you think after, what did we  10 say, 32 years in the pharmaceutical industry -- do  11 I remember that right?</p> <p>12 A. I have been with Walgreens --</p> <p>13 Q. '86 to -- I'm sorry. I didn't mean to  14 interrupt you.</p> <p>15 Tell me how many years you have been  16 with Walgreens.</p> <p>17 A. 32 years.</p> <p>18 Q. 32 years. Do you have an understanding  19 of what -- why the DEA wanted suspicious orders  20 reported to it from distributors that were licensed  21 under the federal code?</p> <p>22 MR. STOFFELMAYR: Objection.</p> <p>23 BY MR. MOUGEY:</p> <p>24 Q. What was the purpose?</p>	<p style="text-align: right;">Page 205</p> <p>1 fulfill that purpose, the DEA to spot problem areas  2 of diversion, that the suspicious order reports  3 should be sent to the DEA when they were  4 discovered?</p> <p>5 MR. STOFFELMAYR: Objection to the form.  6 BY THE WITNESS:</p> <p>7 A. I believe there is some reporting  8 requirement there from a timeliness perspective. I  9 don't know what it is.</p> <p>10 BY MR. MOUGEY:</p> <p>11 Q. But -- and I'm not asking you a  12 technical. I'm asking for just a general  13 understanding that Walgreens' purpose in sending  14 suspicious orders to the DEA was to assist the DEA  15 in identifying diversion, correct?</p> <p>16 A. Yes.</p> <p>17 Q. And you could understand why the DEA  18 would want those reports contemporaneous to when  19 Walgreens discovered them, correct?</p> <p>20 MR. STOFFELMAYR: Objection to the form.  21 BY THE WITNESS:</p> <p>22 A. Yes.</p> <p>23 BY MR. MOUGEY:</p> <p>24 Q. And that getting those reports weeks or</p>

<p style="text-align: right;">Page 206</p> <p>1 a month later didn't fulfill the purpose to assist  2 the DEA in contemporaneously identifying areas of  3 diversion, correct?  4 MR. STOFFELMAYR: Objection to the form.  5 BY THE WITNESS:  6 A. Well, I don't know what the DEA's -- I  7 don't know how fast the DEA acts. I don't know  8 whether a week after it's done is too late for the  9 DEA or 30 days is too late for the DEA. I don't  10 know how quick they're acting on information.  11 BY MR. MOUGEY:  12 Q. Well, you would agree with me that --  13 let's just keep going.  14 If you would, sir, please go to page 26,  15 paragraph 8, "Walgreens failed to maintain an  16 adequate suspicious order reporting system and as a  17 result, has ignored readily identifiable orders and  18 ordering patterns that, based on information  19 available throughout the Walgreens Corporation,  20 should have been obvious signs of diversion  21 occurring at Respondent's customer pharmacies."  22 Did I read that right?  23 A. You did.  24 Q. And do you agree with the DEA statement</p>	<p style="text-align: right;">Page 208</p> <p>1 Q. "Respondent's suspicious order report  2 for December '11 appears to include suspicious  3 orders placed by its customers for the past six  4 months. The report for just suspicious orders of  5 Schedule II drugs is 1,712 pages and includes  6 reports on approximately 836 pharmacies in more  7 than a dozen states and Puerto Rico."  8 Do you see that, sir?  9 A. I see it.  10 Q. Did I read that right?  11 A. You did.  12 Q. "The reports are based on a formula that  13 assigns an average monthly order for a particular  14 drug, which is then multiplied by a 'DEA factor,'  15 (which is always 3, regardless of the drug or the  16 average order amount)."  17 Do you see that, sir?  18 A. I see it.  19 Q. And do you have any understanding of  20 what formula or criteria Walgreens was using to  21 identify suspicious orders that it was reporting to  22 the DEA?  23 A. I do not.  24 Q. Under paragraph 10, take your attention</p>
<p style="text-align: right;">Page 207</p> <p>1 that I just read in paragraph 8?  2 MR. STOFFELMAYR: Objection to the form.  3 BY THE WITNESS:  4 A. No, I don't.  5 BY MR. MOUGEY:  6 Q. Paragraph 9, "Respondent's practice with  7 regard to suspicious order reporting was to send  8 the local DEA field office a monthly report labeled  9 'Suspicious Control Drug Orders.'"  10 Do you see that, sir?  11 A. I do.  12 Q. And you don't have any reason to  13 question the veracity of that or the truth of that  14 first sentence in paragraph 9, correct?  15 A. I don't know one way or another.  16 Q. "Two reports were provided, one for  17 suspicious orders of Schedule II drugs, another for  18 suspicious orders of drugs in Schedules III through  19 V. These reports were transmitted on Respondent's  20 behalf from Walgreens' corporate headquarters in  21 Deerfield, Illinois."  22 And that's the corporate headquarters,  23 right?  24 A. That's correct.</p>	<p style="text-align: right;">Page 209</p> <p>1 to the four lines up on the right-hand side, the  2 sentence that begins with, "As such."  3 Do you see that?  4 A. Yes.  5 Q. "As such, Respondent's reports,  6 consisting of nothing more than an aggregate of  7 completed transactions, did not comply with the  8 requirement to report suspicious orders as  9 discovered, despite the title Respondent attached  10 to those reports."  11 Do you see that, sir?  12 A. I do.  13 Q. Sitting here today, sir, do you have any  14 understanding of whether Walgreens was performing  15 due diligence on the orders it identified to the  16 DEA as suspicious?  17 A. Prior to this -- prior to the inception  18 of Pharmaceutical Integrity, no.  19 Q. No, you don't have an understanding or  20 no, Walgreens was not performing due diligence on  21 the orders that it was supplying to the --  22 identifying for the DEA?  23 A. I have no understanding.  24 Q. When you started or initiated the</p>



<p style="text-align: right;">Page 210</p> <p>1 Pharmaceutical Integrity Department, you didn't go  2 back and ask anyone, "What are we doing to perform  3 due diligence on suspicious orders"?</p> <p>4 A. I had conversations with the attorneys  5 to bring me up to speed on what the current  6 practice was.</p> <p>7 Q. And could anybody point you to any due  8 diligence files that were performed on these 1,712  9 pages of reports identified that were given to the  10 DEA?</p> <p>11 MR. STOFFELMAYR: Objection to the form.  12 BY THE WITNESS:</p> <p>13 A. That -- that wasn't the discussion. The  14 discussion was around process.</p> <p>15 BY MR. MOUGEY:</p> <p>16 Q. Could you -- could anyone point you to  17 any process and evidence of that process that there  18 was due diligence being performed on suspicious  19 orders that Walgreens was providing to the DEA?</p> <p>20 A. The process that was described was the  21 reporting process to the DEA.</p> <p>22 Q. Yes, sir. And no one ever described any  23 process to you that there was due diligence being  24 performed on orders identified as suspicious by</p>	<p style="text-align: right;">Page 212</p> <p>1 A. I did not.</p> <p>2 Q. So, you're now directly in charge of the  3 pharmaceutical department in late 2012, correct?</p> <p>4 A. Correct.</p> <p>5 Q. Early 2013 we're building out the  6 suspicious order monitoring policies and procedures  7 through Pharmaceutical Integrity, correct?</p> <p>8 A. Correct.</p> <p>9 Q. Did you go ask anybody at any point in  10 time, "How do I effectively build out the due  11 diligence component or requirement of our  12 suspicious order monitoring responsibilities"?</p> <p>13 A. Certainly, but it wasn't retrospective.  14 It was prospective. I wasn't concerned as much  15 with what had been occurring. What I was concerned  16 with is what were we going to do moving forward.</p> <p>17 Q. So, here we have this organization with  18 a couple of hundred thousand employees and you  19 didn't decide am I going to pave a new road or use  20 the road that we've already paved before for due  21 diligence?</p> <p>22 MR. STOFFELMAYR: Objection to the form.  23 BY MR. MOUGEY:</p> <p>24 Q. Your -- go ahead.</p>
<p style="text-align: right;">Page 211</p> <p>1 Walgreens before they were shipped, correct, sir?</p> <p>2 A. No one ever described to me that  3 process.</p> <p>4 Q. Were you told that there was no due  5 diligence being performed on orders that were  6 identified as suspicious and reported to the DEA?</p> <p>7 A. The discussion, again, was around the  8 process of reporting.</p> <p>9 Q. I understand. But were you told that  10 there was no process for performing due diligence  11 on orders that were identified by Walgreens and  12 then reported to the DEA?</p> <p>13 MR. STOFFELMAYR: Objection to the form. Go  14 ahead.</p> <p>15 BY THE WITNESS:</p> <p>16 A. I was not told one way or another as  17 respects to the...</p> <p>18 BY MR. MOUGEY:</p> <p>19 Q. Did you ask someone, "Are we performing  20 due diligence on our suspicious orders"?</p> <p>21 A. No, I did not.</p> <p>22 Q. Did you go seek out any opinion from  23 anyone out of the compliance department whether  24 that would be wise?</p>	<p style="text-align: right;">Page 213</p> <p>1 A. The objective that we had was what are  2 we going to do moving forward. It wasn't -- it  3 wasn't a -- there wasn't -- the concern was not  4 about so much as what the current process was or  5 what had occurred. It was about what are we going  6 to do moving forward.</p> <p>7 Q. Mr. Swords, your CV touts, in more than  8 one instance, your ability to effectively implement  9 cost-saving measures at Walgreens, correct?</p> <p>10 A. Yes.</p> <p>11 Q. You touted in your resume on more than  12 one occasion your ability to create processes and  13 procedures efficiently to improve the profitability  14 of Walgreens, correct, sir?</p> <p>15 A. Yes.</p> <p>16 Q. And, sir, it's your testimony to this  17 jury today that with all of your experience in  18 developing efficient procedures, you never asked  19 anyone at Walgreens what system was in place prior  20 to the creation of Pharmaceutical Integrity on  21 performing due diligence on suspicious order?</p> <p>22 A. That's correct. I never discussed due  23 diligence. What I understood was the process we  24 had was reporting of the suspicious orders to the</p>

<p style="text-align: right;">Page 214</p> <p>1 DEA. That's what I based my knowledge on and  2 that's where we started from a roadmapping  3 perspective for Pharmaceutical Integrity.  4 Q. So, Mr. Swords, one of the -- who's  5 built his career on creating efficient processes on  6 Walgreens, never asks about what the retrospective  7 process was but just decides to get out the new  8 equipment and pave a brand-new road. Is that your  9 testimony today, sir?  10 A. That's my testimony.  11 MR. STOFFELMAYR: Objection to the form. Go  12 ahead.  13 BY MR. MOUGEY:  14 Q. Sir, did you have an understanding when  15 you came into Pharmaceutical Integrity in the  16 beginning, middle -- I'm sorry.  17 Is it your understanding when you came  18 into Pharmaceutical Integrity in 2012 that there  19 was an opiate epidemic?  20 A. I quickly became aware of the issue,  21 yes.  22 Q. But you weren't prior to coming into  23 Pharmaceutical Integrity?  24 A. No.</p>	<p style="text-align: right;">Page 216</p> <p>1 proceeded through 2000, 2001, 2002, all the way up  2 to Pharmaceutical Integrity's creation in 2012?  3 A. I did not.  4 MR. STOFFELMAYR: Objection to the form.  5 THE WITNESS: Sorry.  6 MR. STOFFELMAYR: Go ahead.  7 BY MR. MOUGEY:  8 Q. I'm sorry. Your answer was "I did not"?  9 A. I did not.  10 Q. Sir, you understand what the word  11 "systemic" is?  12 A. Yes.  13 Q. And what is your understanding of what  14 the word "systemic" is?  15 A. Depends on how the word is used.  16 Q. Just I'm asking you just for a  17 definition of what your understanding.  18 A. Widespread.  19 Q. Widespread?  20 A. Ingrained.  21 Q. A culture failure?  22 MR. STOFFELMAYR: Objection to the form.  23 BY THE WITNESS:  24 A. I don't -- I gave you my understanding</p>
<p style="text-align: right;">Page 215</p> <p>1 Q. Were you aware that there had been  2 ongoing Congressional hearings on the opiate  3 epidemic beginning as early as 2000?  4 A. Not that I recall.  5 Q. Were you aware that there had been at  6 the point in time when Pharmaceutical Integrity was  7 created in 2012 that there had been 12 or 13 years  8 of Congressional hearings and investigation into  9 the use of opiates in this country?  10 MR. STOFFELMAYR: Objection to the form.  11 BY THE WITNESS:  12 A. I was not.  13 BY MR. MOUGEY:  14 Q. You were not aware from all of your time  15 at Walgreens on the pharmacy side that deaths  16 related to overdoses from opiates year in and year  17 out were increasing over the course of a decade?  18 A. I was not.  19 Q. Zero training at Walgreens prior to  20 Pharmaceutical Integrity working your way all the  21 way up to the pharmacy side beginning in 1986 all  22 the way to Pharmaceutical Integrity in 2012, you  23 had absolutely zero training on an opiate epidemic  24 that was getting larger and larger and larger as we</p>	<p style="text-align: right;">Page 217</p> <p>1 of it.  2 BY MR. MOUGEY:  3 Q. Do you believe that the Walgreens  4 failure to identify suspicious orders and perform  5 due diligence on those suspicious orders was  6 systemic or widespread?  7 MR. STOFFELMAYR: Objection to the form.  8 BY THE WITNESS:  9 A. No.  10 BY MR. MOUGEY:  11 Q. And, sir, if you would, turn to page 33  12 of 343.  13 A. Okay.  14 Q. Do you see paragraph 23?  15 A. Yes.  16 Q. And the third line down, do you see the  17 DEA's use of "systemic shortcomings"?  18 A. I see the use of the word, yes.  19 Q. And the use of the word in paragraph 23  20 was the DEA allegation that there were systemic  21 shortcomings in regard to Walgreens' dispensing of  22 controlled substances II and III, more specifically  23 opiates?  24 A. Well, I think the full sentence states</p>

<p style="text-align: right;">Page 218</p> <p>1 that the voluntary dispensing restrictions enacted  2 by us were not sufficient in whoever's view this is  3 that's writing this.  4 Q. Well --  5 A. That's what the full sentence says.  6 Q. I understand. Page 33 of 343. If you'd  7 turn back to page 23 of 343. What I want to point  8 out is that paragraph 23 is part of --  9 MR. STOFFELMAYR: Paragraph?  10 MR. MOUGEY: 23.  11 MR. STOFFELMAYR: I'm sorry. Never mind.  12 BY MR. MOUGEY:  13 Q. What I wanted to point out, sir, is that  14 paragraph 23 is part of the immediate suspension of  15 Walgreens' Jupiter distribution center.  16 Do you see that, sir?  17 A. Yes.  18 Q. And that paragraph 23, the systemic  19 shortcomings, the widespread problems within  20 Walgreens, is part of the Jupiter distribution  21 center, correct, sir?  22 MR. STOFFELMAYR: Objection to the form.  23 BY THE WITNESS:  24 A. The -- the reference that they're making</p>	<p style="text-align: right;">Page 220</p> <p>1 adequately reformed the systemic shortcomings  2 discussed herein."  3 Correct, sir?  4 A. That's what it says.  5 Q. That's a very serious allegation in this  6 document, that there were systemic shortcomings  7 within Walgreens, correct, sir?  8 A. That's the allegation, yes.  9 Q. The paragraph goes on, "On the contrary,  10 when a company undertakes to survey its stores for  11 regulatory compliance, then selectively edits that  12 survey for the explicit purpose of avoiding  13 evidence of its own non-compliance, as Walgreens  14 apparently did in May 2011, claims of effective  15 remedial measures have less credibility. I give  16 significant weight to the fact that Walgreens  17 appears to have deliberately structured certain of  18 its anti-diversion measures to avoid learning about  19 and/or documenting evidence consistent with  20 diversion. At best, I regard this as deliberate  21 indifference on Walgreens' part as to its  22 obligations as a DEA registrant."  23 Correct, sir?  24 A. That's what it says.</p>
<p style="text-align: right;">Page 219</p> <p>1 is in response to the immediate suspension of  2 registration for Jupiter. They're talking about  3 the dispensing here for Jupiter.  4 BY MR. MOUGEY:  5 Q. What they're referring to in paragraph  6 23 is "voluntary dispensing restrictions."  7 Do you see that, sir?  8 A. I see the words, yes.  9 Q. And the voluntary dispensing  10 restrictions would include Walgreens' targeted Good  11 Faith Dispensing Policies, correct, sir?  12 MR. STOFFELMAYR: Objection to the form.  13 BY THE WITNESS:  14 A. I understand that's the allegation that  15 they're making in the Order to Show Cause.  16 BY MR. MOUGEY:  17 Q. Yes, sir. If we look at that paragraph  18 in total, "Voluntary dispensing restrictions  19 enacted either in anticipation of or in reaction to  20 regulatory action," and regulatory action would be  21 the DEA, correct, sir?  22 A. Yes.  23 Q. "Do not indicate to me that Respondent  24 and its parent company have recognized and</p>	<p style="text-align: right;">Page 221</p> <p>1 MR. STOFFELMAYR: Objection to the form.  2 Hold on.  3 THE WITNESS: I'm sorry.  4 BY THE WITNESS:  5 A. That's what it says, yes.  6 BY MR. MOUGEY:  7 Q. And you understand what "remedial  8 measures" mean, correct, sir?  9 A. Yes.  10 Q. And remedial measures means how am I  11 going to fix this problem, right?  12 A. Generally speaking, yes.  13 Q. Yes, sir. So, in part of your education  14 process to address the ongoing opiate epidemic to  15 educate yourself, Walgreens set up meetings with  16 lawyers, correct, sir?  17 A. Yes.  18 Q. And here we are today talking to a jury  19 about Walgreens' responsibilities and its measures  20 taken to address the opiate epidemic, yet your  21 lawyer is telling you not to answer because you  22 were directed to go talk to counsel, correct, sir?  23 MR. STOFFELMAYR: Objection to the form.  24 BY THE WITNESS:</p>

<p>Page 222</p> <p>1 A. My understanding is my attorney has said 2 not to disclose what was attorney-client privilege. 3 BY MR. MOUGEY: 4 Q. Walgreens didn't send you to the outside 5 Walgreens compliance folks, correct? 6 A. I spoke with compliance folks as well, 7 yes. 8 Q. You testified earlier today that your 9 education process about Walgreens' responsibility 10 came from lawyers, correct, sir? 11 A. That's correct, yes. 12 Q. So, do you believe that that's part of 13 Walgreens' plan was to cover up the information 14 given to you under the guise of attorney-client 15 privilege by talking to outside counsel and not 16 getting the information directly from the people on 17 the front lines? 18 MR. STOFFELMAYR: Objection to the form. 19 BY THE WITNESS: 20 A. I certainly don't believe that was the 21 intent. 22 BY MR. MOUGEY: 23 Q. Don't you find it odd that your 24 education process, you weren't directed to meet</p> <p>Page 223</p> <p>1 with a series of people on the front lines but were 2 instead sent to meet with lawyers from DC to find 3 out what's going on at Walgreens? 4 MR. STOFFELMAYR: Objection to the form. 5 BY THE WITNESS: 6 A. I don't find that peculiar at all. 7 BY MR. MOUGEY: 8 Q. And that type of conduct you don't 9 believe, meaning covering up communications about 10 what was going on at Walgreens under the guise of 11 attorney-client, is what the DEA is referencing 12 here in paragraph 23? 13 A. These are -- 14 MR. STOFFELMAYR: Objection to the form. Go 15 ahead. 16 BY THE WITNESS: 17 A. These are allegations. 18 BY MR. MOUGEY: 19 Q. The type of conduct alleged in paragraph 20 23, the systemic shortcomings, the covering up, 21 effective -- I'm sorry -- selectively editing 22 surveys for the explicit purpose of avoiding 23 evidence of its own non-compliance, is that 24 consistent with you being sent to communicate with</p>	<p>Page 224</p> <p>1 outside counsel about Walgreens' policies and 2 procedures and then covering that up with 3 attorney-client privilege? 4 Is that conduct consistent with what's 5 alleged in paragraph 23? 6 MR. STOFFELMAYR: Objection to the form. 7 BY THE WITNESS: 8 A. I'm not sure what the question is. 9 BY MR. MOUGEY: 10 Q. Covering up communications internally at 11 Walgreens under the guise of attorney-client about 12 Walgreens' internal policies and procedures, is 13 that practice, telling you not to answer today, is 14 that consistent with the allegations in paragraph 15 23 wherein Walgreens selectively edited surveys for 16 the explicit purpose of avoiding evidence of its 17 own non-compliance? 18 A. There -- 19 MR. STOFFELMAYR: Objection to the form. And 20 please don't raise your voice with the witness. 21 MR. MOUGEY: I'm not raising my voice with the 22 witness. 23 BY MR. MOUGEY: 24 Q. Please answer the question, sir.</p> <p>Page 225</p> <p>1 A. There is no process at Walgreens to have 2 me meet with attorneys to cover anything up. 3 Q. Yet you're being instructed repeatedly 4 today to not answer questions about your 5 educational process on what Walgreens' 6 responsibilities were and what processes and 7 procedures were in place, correct, sir? 8 MR. STOFFELMAYR: Objection to the form. It's 9 completely untrue. 10 BY MR. MOUGEY: 11 Q. Correct, sir? You've been instructed 12 not to testify today repeatedly about your 13 educational process of what the policies and 14 procedures were at Walgreens on suspicious order 15 monitoring when you took over, correct, sir? 16 A. I have -- 17 MR. STOFFELMAYR: Objection to the form. Go 18 ahead. 19 BY THE WITNESS: 20 A. I have been instructed not to divulge 21 attorney-client privilege. 22 BY MR. MOUGEY: 23 Q. About your communications with counsel 24 to educate yourself on the details of what</p>
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<p style="text-align: right;">Page 226</p> <p>1 Walgreens' suspicious order monitoring policies and  2 procedures were, correct, sir?  3 MR. STOFFELMAYR: Objection to the form. Why  4 do you keep saying that?  5 BY THE WITNESS:  6 A. Again, I've been instructed by my  7 attorney not to divulge the conversations that took  8 place under attorney-client privilege.  9 BY MR. MOUGEY:  10 Q. About suspicious order monitoring  11 policies and procedures at Walgreens, correct, sir?  12 MR. STOFFELMAYR: Objection to the form.  13 BY THE WITNESS:  14 A. About many things including those.  15 BY MR. MOUGEY:  16 Q. Yes, sir. So, the answer to my question  17 is yes, correct?  18 A. No.  19 MR. STOFFELMAYR: Objection to the form.  20 BY THE WITNESS:  21 A. The answer is not that I have been  22 instructed to mislead or hide information. The  23 information, what I've been instructed to is not to  24 convey to you how I went about becoming educated to</p>	<p style="text-align: right;">Page 228</p> <p>1 individual Walgreens stores around the country that  2 had failed to meet their obligations under the  3 Controlled Substance Act as alleged by the DEA,  4 correct, sir?  5 A. No. It identifies six stores in  6 Florida, not around the country.  7 Q. Redo the question.  8 Paragraphs 3, 6, 7, 8 and 9 identify  9 stores from as far away as California to Florida  10 wherein Walgreens received Orders to Show Cause by  11 the DEA for failing to fill -- fulfill its  12 responsibilities under the Controlled Substance  13 Act, correct, sir?  14 MR. STOFFELMAYR: Objection to the form.  15 BY THE WITNESS:  16 A. I'd have to go back and review  17 Appendix A, if you want to give me the reference on  18 the page.  19 BY MR. MOUGEY:  20 Q. I sure will. Page 15, sir.  21 A. 15 of 343?  22 Q. Yes, sir. 15 of 343.  23 That was the one where we started off,  24 looking at California, San Diego.</p>
<p style="text-align: right;">Page 227</p> <p>1 the fact with the attorneys.  2 BY MR. MOUGEY:  3 Q. And that's how you educated yourself was  4 to go meet with attorneys and now not testify today  5 under the guise of attorney-client, correct?  6 MR. STOFFELMAYR: Objection to the form.  7 BY THE WITNESS:  8 A. Part of the education process was the  9 meeting with attorneys.  10 BY MR. MOUGEY:  11 Q. Please turn back to page 1 of 343, sir.  12 We can go through one of these at a time if you'd  13 like, but what I would like to direct -- what I'd  14 like you to do is to look at paragraphs 6, 7, 8, 9  15 and 10. Let me know when you've had a chance just  16 to review those.  17 A. Okay.  18 Q. Paragraphs 6, 7, 8, 9 and 9 all identify  19 several --  20 MR. STOFFELMAYR: You mean 10, right?  21 MR. MOUGEY: No. Thank you, but no.  22 MR. STOFFELMAYR: Okay.  23 BY MR. MOUGEY:  24 Q. Paragraphs 6, 7, 8, 9 all identify</p>	<p style="text-align: right;">Page 229</p> <p>1 A. I got it.  2 Q. The question I asked, sir, was,  3 paragraphs 3, 6, 7, 8 and 9 identify Walgreens  4 stores from as far away as California to Florida  5 wherein Walgreens received Orders to Show Cause  6 from the DEA for failing to fulfill its  7 responsibilities under the Controlled Substance  8 Act, correct, sir?  9 A. It identifies seven stores, six of them  10 in Florida, one in California.  11 Q. So, the answer to my question is yes,  12 correct?  13 A. The answer is yes, it identifies seven  14 stores, one in California and six in Florida.  15 Q. Are you telling the -- this jury today  16 that just seven stores is okay?  17 A. That's all that's listed in this.  18 Q. And that's okay? That's okay?  19 MR. STOFFELMAYR: Objection to the form.  20 Please stop raising your voice.  21 BY MR. MOUGEY:  22 Q. That's okay? Just six or seven stores  23 is okay?  24 MR. STOFFELMAYR: Stop arguing. Stop raising</p>



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1 your voice. Ask a question.  
2 MR. MOUGEY: My voice is not raised.  
3 MR. STOFFELMAYR: Absolutely is, 100 percent  
4 is.  
5 MR. MOUGEY: There's a recording.  
6 MR. STOFFELMAYR: 100 percent is. You are  
7 arguing with him. Ask a question. He will answer  
8 your question.  
9 MR. MOUGEY: I have asked a question three or  
10 four times before you gave your speech.  
11 BY MR. MOUGEY:  
12 Q. Six or seven stores is okay?  
13 A. No, it's not okay.  
14 Q. And have you seen the references that  
15 these are examples of systemic failures, systemic  
16 shortcomings in Walgreens' system?  
17 A. I saw the opinion --  
18 MR. STOFFELMAYR: Objection to the form. Go  
19 ahead.  
20 THE WITNESS: I'm sorry.  
21 BY THE WITNESS:  
22 A. I saw the opinion in here that that was  
23 the writer's opinion, yes.  
24 BY MR. MOUGEY:

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1 Q. Sir, staying on page 15, you see the  
2 reference under "Background" "On September 30,  
3 2009."  
4 Do you see that, sir?  
5 A. I do.  
6 Q. So, Walgreens had notice from the DEA as  
7 early as 2009 that it had shortcomings with its  
8 system?  
9 MR. STOFFELMAYR: Objection to the form.  
10 BY THE WITNESS:  
11 A. If you'd like, I'll read the whole  
12 thing. I don't -- I'm not sure what the Memorandum  
13 of Agreement or what was involved with this store,  
14 but I'll be happy to read it if you'd like me to.  
15 BY MR. MOUGEY:  
16 Q. Whatever you need to do to answer the  
17 question.  
18 A. Okay. Then I'll read it.  
19 Q. If you want to sit and take your time  
20 reading the whole thing, go ahead, as we have  
21 already walked through paragraphs 1 and 2. But if  
22 you want to do it again, feel free.  
23 Paragraphs 1 and 2 don't answer your  
24 question?

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1 A. Yep.  
2 Q. They do answer your question, right?  
3 A. What's the question?  
4 Q. Well, paragraph -- let's look at  
5 paragraph 2.  
6 A. Okay.  
7 Q. "The Order to Show Cause alleged that  
8 Walgreens," this is San Diego store, "dispensed  
9 controlled substances to individuals based on  
10 purported prescriptions issued by physicians who  
11 were not licensed to practice medicine in  
12 California."  
13 Right?  
14 A. That's what it says, yes.  
15 Q. So, clearly, Walgreens' system failed to  
16 detect prescriptions from unlicensed physicians in  
17 California, correct?  
18 MR. STOFFELMAYR: Objection to the form.  
19 BY THE WITNESS:  
20 A. That's what -- that's what it says, yes.  
21 BY MR. MOUGEY:  
22 Q. No. 2, did you fix that problem when  
23 Pharmaceutical Integrity opened in late '12, early  
24 '13?

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1 A. I believe we did.  
2 Q. Do you know how long that went on that  
3 Walgreens' system allowed prescriptions of  
4 controlled substances to be dispensed to physicians  
5 that weren't even licensed in the state they were  
6 issued in?  
7 MR. STOFFELMAYR: Objection to the form. Go  
8 ahead.  
9 BY THE WITNESS:  
10 A. I should rephrase. I believe that the  
11 system was corrected at the time this occurred.  
12 BY MR. MOUGEY:  
13 Q. No. 2, "Dispensed controlled substances  
14 to individuals located in California based on  
15 Internet prescriptions issued by physicians for  
16 other than a legitimate medical purpose and/or  
17 outside the usual course of professional practice  
18 in violation of federal and state law."  
19 Do you see that, sir?  
20 A. I do.  
21 Q. That was as of 2009, correct?  
22 A. Yes.  
23 Q. No. 3, "Dispensed controlled substances  
24 to individuals that Walgreens knew or should have

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1 known were diverting the controlled substances."  
 2 Do you see that, sir?  
 3 A. I do.  
 4 Q. And that's as of 2009, correct?  
 5 A. Correct.  
 6 Q. And these Orders to Show Cause in  
 7 paragraphs 6, 7, 8, 9, continued after this 2009  
 8 agreement, correct, sir?  
 9 A. That's correct. They're different time  
 10 frame.  
 11 Q. And, sir, if you look at page 2 of 343.  
 12 A. Okay.  
 13 Q. Do you see the words "Stipulation and  
 14 Agreement"?  
 15 A. I do.  
 16 Q. What does "Stipulation and Agreement"  
 17 mean to you?  
 18 A. What it means to me is this is the terms  
 19 and what we've agreed to do.  
 20 Q. Paragraph 2, "Walgreens acknowledges  
 21 that suspicious order reporting for distribution to  
 22 certain pharmacies did not meet the standards  
 23 identified by DEA in three letters from DEA's  
 24 Deputy Assistant Administrator, Office of Diversion

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1 Control, sent to every registered manufacturer and  
 2 distributor, including Walgreens," and it provides  
 3 the date going back to 2006.  
 4 Correct, sir?  
 5 A. That's what it says, yes.  
 6 Q. Yes, sir. And you understand that  
 7 Walgreens has acknowledged and agreed that  
 8 Walgreens' suspicious order monitoring reporting  
 9 failed to meet the standards as identified in those  
 10 letters?  
 11 A. That's what it says, yes.  
 12 Q. I understand that's what it says.  
 13 Do you agree with that in your position  
 14 at Walgreens?  
 15 Based on your review getting  
 16 Pharmaceutical Integrity off the ground, doing all  
 17 the due diligence you performed to educate yourself  
 18 on all the details, do you agree that Walgreens'  
 19 suspicious order reporting on the distribution side  
 20 did not meet the standards identified by the DEA?  
 21 MR. STOFFELMAYR: Objection to the form.  
 22 BY THE WITNESS:  
 23 A. Yes.  
 24 BY MR. MOUGEY:

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1 Q. Do you agree, sir, as well that  
 2 Walgreens acknowledges that certain Walgreens  
 3 retail pharmacies did on some occasions dispense  
 4 certain controlled substances in a manner not fully  
 5 consistent with its compliance obligations under  
 6 the Controlled Substance Act?  
 7 MR. STOFFELMAYR: Objection to the form.  
 8 BY THE WITNESS:  
 9 A. Yes.  
 10 BY MR. MOUGEY:  
 11 Q. And you agree, sir, that that is an  
 12 accurate statement?  
 13 MR. STOFFELMAYR: Objection to the form.  
 14 BY THE WITNESS:  
 15 A. Yes.  
 16 MR. MOUGEY: Kaspar, I am moving to a couple  
 17 new docs. It's 12:25. Do you want to stop for  
 18 lunch, take a half hour, go to 1:00?  
 19 MR. STOFFELMAYR: It looks like it's out  
 20 there. Yeah, we can break now.  
 21 MR. MOUGEY: Okay.  
 22 THE VIDEOGRAPHER: We are off the record at  
 23 12:22 p.m.  
 24 (WHEREUPON, a recess was had

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1 from 12:22 to 12:52 p.m.)  
 2 THE VIDEOGRAPHER: We are back on the record  
 3 at 12:52 p.m.  
 4 BY MR. MOUGEY:  
 5 Q. Mr. Swords, you do not believe there  
 6 were systemic shortcomings within Walgreens  
 7 regarding its suspicious order monitoring policies  
 8 and procedures in relation to its distribution  
 9 centers, correct, sir?  
 10 A. I don't have an opinion on the  
 11 distribution side of it. I wasn't involved in the  
 12 suspicious order monitoring process.  
 13 Q. I am a little confused by that. We have  
 14 spent hours going through your role where  
 15 Pharmaceutical Integrity group reported directly to  
 16 you, correct?  
 17 A. Yes.  
 18 Q. And they kept you up to date on their  
 19 progress made in developing the suspicious order  
 20 monitoring policies and procedures on the  
 21 distribution side, correct?  
 22 A. Let me clarify. I was speaking --  
 23 Q. Yeah, please.  
 24 A. I was speaking prior to the formation of

<p style="text-align: right;">Page 238</p> <p>1 Pharmaceutical Integrity.</p> <p>2 Q. Up until 2013, you had been intimately</p> <p>3 involved in almost every component of Walgreens on</p> <p>4 the pharmacy side, correct?</p> <p>5 A. I had significant responsibilities on</p> <p>6 the pharmacy side, yes.</p> <p>7 Q. And you saw, my guess is, dozens and</p> <p>8 dozens and dozens of different kinds of reports and</p> <p>9 updates regarding Walgreens' pharmaceutical</p> <p>10 operations, correct?</p> <p>11 A. Yes.</p> <p>12 Q. You've seen policy manuals on different</p> <p>13 components of Walgreens related to its</p> <p>14 pharmaceutical dispensing policies and practices,</p> <p>15 correct?</p> <p>16 A. I've certainly seen policies. I</p> <p>17 wouldn't refer to them as manuals, but yes.</p> <p>18 Q. You've seen operations policies and</p> <p>19 procedures related to Walgreens, correct?</p> <p>20 A. Yes.</p> <p>21 Q. And, so, up until your involvement with</p> <p>22 Pharmaceutical Integrity in sometime in 2012, you</p> <p>23 have absolutely zero interaction with anyone from</p> <p>24 any department related to Walgreens' role as a</p>	<p style="text-align: right;">Page 240</p> <p>1 Q. The algorithm or the metric used to</p> <p>2 identify suspicious orders, when you started or</p> <p>3 began in Pharmaceutical Integrity in 2012, did you</p> <p>4 continue to use that same policy or procedure?</p> <p>5 A. That was -- that was handled by the</p> <p>6 folks under me. I wasn't involved directly with</p> <p>7 that. I couldn't -- I couldn't speak to what the</p> <p>8 algorithm was or how it worked.</p> <p>9 Q. I don't think I asked you that. Okay.</p> <p>10 I didn't ask you how, what it was. I didn't ask</p> <p>11 you the metric. I didn't ask you the formula. I</p> <p>12 didn't ask you what it was.</p> <p>13 I just asked you: Was the same policy</p> <p>14 and procedure in place to identify suspicious order</p> <p>15 monitoring prior to Pharmaceutical Integrity in</p> <p>16 2012, did you continue using a similar metric?</p> <p>17 MR. STOFFELMAYR: Objection to the form.</p> <p>18 BY THE WITNESS:</p> <p>19 A. What we did was build upon what we --</p> <p>20 what had previously been done.</p> <p>21 BY MR. MOUGEY:</p> <p>22 Q. So, the answer is yes?</p> <p>23 MR. STOFFELMAYR: Objection to the form.</p> <p>24 BY MR. MOUGEY:</p>
<p style="text-align: right;">Page 239</p> <p>1 distributor in its suspicious order monitoring</p> <p>2 policies?</p> <p>3 A. That's correct.</p> <p>4 Q. Is that because there wasn't a</p> <p>5 department that was responsible for implementing</p> <p>6 Walgreens' suspicious order monitoring policies and</p> <p>7 procedures?</p> <p>8 A. No. Like I said, I wasn't involved in</p> <p>9 it. I don't know what the process was.</p> <p>10 Q. If there were regulatory problems with</p> <p>11 the pharmacies that you were responsible for,</p> <p>12 wouldn't you expect someone from Walgreens to keep</p> <p>13 you up to speed on what was happening?</p> <p>14 A. It depends on what the issue was.</p> <p>15 Q. Regulatory actions involving Walgreens</p> <p>16 violations under the Controlled Substance Act?</p> <p>17 A. At what time frame are you referring to?</p> <p>18 Q. Up until Pharmaceutical Integrity.</p> <p>19 A. No, it would not have been.</p> <p>20 Q. But somehow you were handpicked to run</p> <p>21 the department responsible for compliance with the</p> <p>22 Controlled Substance Act and, more specifically,</p> <p>23 the suspicious order monitoring policies?</p> <p>24 A. That's correct.</p>	<p style="text-align: right;">Page 241</p> <p>1 Q. You built on the same or similar metric</p> <p>2 that was used prior to you getting there?</p> <p>3 A. I would -- I would clarify -- I would</p> <p>4 consider it an enhancement of what was being done,</p> <p>5 yes.</p> <p>6 Q. What specifically was enhanced? What</p> <p>7 did you build on once you started with</p> <p>8 Pharmaceutical Integrity?</p> <p>9 A. Well, we -- you reviewed some of it</p> <p>10 earlier today with the portal, the compliance</p> <p>11 policy around targeted good faith dispensing,</p> <p>12 the --</p> <p>13 Q. Hold on a minute.</p> <p>14 MR. STOFFELMAYR: Hold on.</p> <p>15 BY MR. MOUGEY:</p> <p>16 Q. I thought good faith dispensing was --</p> <p>17 MR. STOFFELMAYR: He was in the middle of an</p> <p>18 answer.</p> <p>19 BY MR. MOUGEY:</p> <p>20 Q. Good faith dispensing is the dispensing</p> <p>21 side. I am talking about the distribution side.</p> <p>22 The algorithm used to identify suspicious orders.</p> <p>23 That's what we are talking about, right?</p> <p>24 MR. STOFFELMAYR: Please don't interrupt him.</p>

<p style="text-align: right;">Page 242</p> <p>1 BY MR. MOUGEY:</p> <p>2 Q. That's what we're talking about, right?</p> <p>3 A. Well, I previously answered that I</p> <p>4 wasn't involved directly with the algorithm. You</p> <p>5 asked me a question about what we did to enhance</p> <p>6 it. I was describing what I viewed as some of the</p> <p>7 enhancements that we made.</p> <p>8 Q. The algorithm wasn't used for good faith</p> <p>9 dispensing. That was totally separate you</p> <p>10 testified to earlier, correct?</p> <p>11 MR. STOFFELMAYR: Objection to the form.</p> <p>12 BY THE WITNESS:</p> <p>13 A. Yes. What I was referring to, you -- my</p> <p>14 understanding of your question was what</p> <p>15 enhancements were made. I was referring to the</p> <p>16 broad sense of what enhancements were made.</p> <p>17 BY MR. MOUGEY:</p> <p>18 Q. To the algorithm, to the metric, to the</p> <p>19 suspicious order monitoring formula, what</p> <p>20 enhancements were made?</p> <p>21 A. I wasn't involved in the algorithm. I</p> <p>22 can't -- I can't tell you what specific</p> <p>23 enhancements were made to the algorithm.</p> <p>24 Q. So, you just know enhancements were</p>	<p style="text-align: right;">Page 244</p> <p>1 folks, they felt like the steps we were taking were</p> <p>2 good steps and good measures. So, this is what we</p> <p>3 based it on.</p> <p>4 Q. So, people told you it was working?</p> <p>5 A. Yes.</p> <p>6 Q. You have no -- sitting here, you have no</p> <p>7 quantifiable measures -- when you said "this is</p> <p>8 working," what quantifiable measures can you tell</p> <p>9 me?</p> <p>10 A. Well, we know that we decreased the</p> <p>11 amount of shipments. So, that would tell you that</p> <p>12 we were hitting ceiling levels and applying</p> <p>13 appropriate, you know, applying control measures to</p> <p>14 the -- to the issue.</p> <p>15 Q. That's a quantifiable one. Why don't</p> <p>16 you give me some meat on the bones on decreased</p> <p>17 number of shipments?</p> <p>18 A. I don't have the specifics on that.</p> <p>19 Q. Anything general?</p> <p>20 A. There were -- there was a decrease in</p> <p>21 the amount of product shipments on the Schedule II</p> <p>22 items.</p> <p>23 Q. That's it. Anything else?</p> <p>24 A. Well, also decreased dispensing along</p>
<p style="text-align: right;">Page 243</p> <p>1 made?</p> <p>2 A. I know that improvements were made, yes.</p> <p>3 Q. So, what is the basis of your testimony</p> <p>4 today that enhancements were made but you don't</p> <p>5 specifically know?</p> <p>6 A. Because I saw the results of what</p> <p>7 happened. We put steps into place. We put</p> <p>8 monitoring into place. We had steps where ceiling</p> <p>9 limits were put into place. All those things</p> <p>10 occurred with Pharmaceutical Integrity.</p> <p>11 Q. And those worked?</p> <p>12 A. I believe they were very effective.</p> <p>13 Q. How many people did you have working in</p> <p>14 Pharmaceutical Integrity at its peak?</p> <p>15 A. I think we have six people there.</p> <p>16 Q. Six people. What -- can you give me</p> <p>17 some quantifiable metrics of why you believed it</p> <p>18 was -- it worked?</p> <p>19 A. Well, we know we had orders that were</p> <p>20 number of orders reviewed, generally from, you</p> <p>21 know, from a regulatory perspective. I believe</p> <p>22 that the regulators and folks that we had</p> <p>23 conversations with felt like we were taking the</p> <p>24 right steps. Dealing with other inside industry</p>	<p style="text-align: right;">Page 245</p> <p>1 with the shipments, right. So, you don't buy stuff</p> <p>2 you don't sell. We didn't -- we didn't -- we</p> <p>3 didn't dispense as many prescriptions because of</p> <p>4 the targeted good faith dispensing actions that we</p> <p>5 took into place and some of the other things we put</p> <p>6 into place. So, that decreased the shipments as</p> <p>7 well.</p> <p>8 Q. What year did you see the decrease</p> <p>9 begin?</p> <p>10 A. Almost immediately.</p> <p>11 Q. Any idea just generally percentage-wise</p> <p>12 what the decrease in the shipments of Schedule II?</p> <p>13 A. I don't recall what it was.</p> <p>14 Q. I mean, was it 75 or was it 7?</p> <p>15 A. Number-wise?</p> <p>16 Q. Percentage.</p> <p>17 A. Oh. It wasn't -- certainly wasn't 75%.</p> <p>18 It was -- it was probably high single, low double</p> <p>19 digits kind of thing.</p> <p>20 Q. High single, low double digit</p> <p>21 percentages decrease in the number of shipments of</p> <p>22 Schedule II?</p> <p>23 A. Looking across the nation, yes.</p> <p>24 Q. Almost immediately?</p>

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1 A. Almost immediately.  
 2 Q. So, give me almost immediately.  
 3 A. Six months or so into --  
 4 Q. Six months?  
 5 A. -- into the process.  
 6 Q. Mid-2013. Fair?  
 7 A. Yeah, somewhere in there.  
 8 Q. Okay. So, peak we said we had six  
 9 people, right?  
 10 MR. STOFFELMAYR: Objection to the form.  
 11 BY MR. MOUGEY:  
 12 Q. In Pharmaceutical Integrity?  
 13 A. Yes.  
 14 Q. Okay. And some of them weren't even  
 15 added until February, even March of 2013, right?  
 16 A. The staff was built out during that  
 17 time, yes.  
 18 Q. So, by middle of 2013, within six  
 19 months, Walgreens had decreased Schedule II  
 20 shipments low single digit -- I'm sorry -- high  
 21 single digit, low double digit numbers?  
 22 A. That's my -- that's my recall.  
 23 Q. So, 7, 8, 9, 10, 11%, somewhere in that  
 24 ballpark?

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1 A. That's my recollection, yeah.  
 2 Q. Any idea what the operational budget of  
 3 those six people was for the first year?  
 4 A. I have no idea.  
 5 Q. Let's -- let's run some numbers maybe  
 6 just in our head. Okay? Just ballpark range.  
 7 What's Ms. Polster make?  
 8 A. Loaded all in, quarter of a million.  
 9 Q. And the -- let's not do individuals so  
 10 we get anybody frustrated.  
 11 A. Individual --  
 12 Q. Let's do the manager level. Okay?  
 13 A. Individual managers, call it 200.  
 14 Q. And the analysts?  
 15 A. Analysts, probably 120.  
 16 Q. Okay. And my recollection, at the peak  
 17 we had three or four analysts and four managers,  
 18 right?  
 19 A. Sounds about right.  
 20 Q. So, let's just -- let's just call it  
 21 roughly 400K in analysts and roughly 800K in  
 22 manager range, 4 times 200, 3 or 4 times 120. How  
 23 is that?  
 24 A. Okay. Yeah.

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1 Q. Is that fair? And then we have  
 2 Ms. Polster.  
 3 So, if we add those up, that's  
 4 1.45 million in just overhead on salaries and  
 5 options and all in, whatever you call it, right,  
 6 correct?  
 7 A. Correct.  
 8 Q. Okay. So --  
 9 A. At the support center.  
 10 Q. At the support center.  
 11 There was no technology sea change in  
 12 the beginning of '13 that enabled Walgreens to make  
 13 that meaningful impact you referenced on reduction  
 14 in Schedule IIs, correct?  
 15 MR. STOFFELMAYR: Objection to the form.  
 16 BY THE WITNESS:  
 17 A. I'm not sure I understand the question  
 18 on it.  
 19 BY MR. MOUGEY:  
 20 Q. There wasn't any technology that was  
 21 invented or came out which enabled Walgreens to all  
 22 of a sudden start implementing these changes with  
 23 the decrease in the number of shipments of  
 24 Schedule IIs in the middle of part of 2013, right?

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1 MR. STOFFELMAYR: Objection to the form.  
 2 BY THE WITNESS:  
 3 A. I wouldn't classify it as technology.  
 4 There were different systems and processes put in  
 5 place as part of that.  
 6 BY MR. MOUGEY:  
 7 Q. Yes, sir. So, Walgreens took a handful  
 8 of people, including yourself, and said we need to  
 9 enhance our suspicious order monitoring policies  
 10 and procedures in place and within months had a  
 11 meaningful impact on the percentage of Schedule IIs  
 12 shipped throughout the country, correct?  
 13 A. Yes.  
 14 Q. And nothing had prevented Walgreens from  
 15 implementing similar measures the decade before,  
 16 correct?  
 17 MR. STOFFELMAYR: Objection to the form.  
 18 BY THE WITNESS:  
 19 A. Not to my knowledge.  
 20 BY MR. MOUGEY:  
 21 Q. Now, are you aware, sir, that there were  
 22 similar problems with the Perrysburg distribution  
 23 center as there was with the distribution center in  
 24 Jupiter?



<p style="text-align: right;">Page 250</p> <p>1 MR. STOFFELMAYR: Objection to the form.</p> <p>2 BY THE WITNESS:</p> <p>3 A. What do you mean by similar problems?</p> <p>4 BY MR. MOUGEY:</p> <p>5 Q. The distribution center in Jupiter, you</p> <p>6 understand that the DEA went in and padlocked the</p> <p>7 cage with Schedule II and Schedule III opiates,</p> <p>8 correct?</p> <p>9 A. I understand that there were similar</p> <p>10 actions proposed for the Perrysburg. I don't know</p> <p>11 ultimately what happened there.</p> <p>12 Q. But the question I asked you was</p> <p>13 you're -- was a little different.</p> <p>14 The question I asked you was: You are</p> <p>15 aware that the DEA came in and actually locked up</p> <p>16 the cage with Schedule II and Schedule III opiates</p> <p>17 in the Jupiter distribution center?</p> <p>18 A. Yes, in Jupiter I'm aware of that.</p> <p>19 Q. Okay. So, when I'm talking about</p> <p>20 similar issues, the DEA thought there was a problem</p> <p>21 enough to put a padlock on the opiate storage</p> <p>22 center and distribution center in Jupiter.</p> <p>23 Just to be clear, those are the kind of</p> <p>24 problems I'm talking about. Are we on the same</p>	<p style="text-align: right;">Page 252</p> <p>1 in -- at least it's signed on February of 2013.</p> <p>2 A. Okay.</p> <p>3 Q. Okay. So, you see in the very first</p> <p>4 page captioned "In the United States District Court</p> <p>5 for the Northern District of Ohio, Western</p> <p>6 Division."</p> <p>7 Do you see that?</p> <p>8 A. Yes.</p> <p>9 Q. "In the Matter of the Administrative</p> <p>10 Inspection of Walgreens Corporation," it says</p> <p>11 Perrysburg, Ohio, correct?</p> <p>12 A. Yes.</p> <p>13 Q. And if memory serves me correctly,</p> <p>14 Perrysburg is outside of Toledo, correct?</p> <p>15 A. It's close to Toledo.</p> <p>16 Q. Yes, sir. And you see that it's an</p> <p>17 Administrative Inspection Warrant on the upper</p> <p>18 right-hand side of the page.</p> <p>19 Do you see that, sir?</p> <p>20 A. Yes.</p> <p>21 Q. And it's addressed to "Wayne Groves,</p> <p>22 Diversion Investigator, and any other authorized</p> <p>23 Diversion Investigator or special agent of the Drug</p> <p>24 Enforcement Administration (DEA) of the U.S.</p>
<p style="text-align: right;">Page 251</p> <p>1 page?</p> <p>2 A. Okay.</p> <p>3 Q. Okay. So, were you aware that the DEA</p> <p>4 had similar concerns about the Perrysburg</p> <p>5 distribution center?</p> <p>6 A. I was aware they had similar concerns.</p> <p>7 Q. Okay. So, the Perrysburg distribution</p> <p>8 center, just to kind of recap some previous</p> <p>9 testimony, was the second of three distribution</p> <p>10 centers for Schedule II?</p> <p>11 A. Correct.</p> <p>12 Q. And that would be OxyContin, amongst</p> <p>13 others?</p> <p>14 A. Yes.</p> <p>15 Q. Okay. And I'm going to hand you, sir,</p> <p>16 what I'm going to mark as Swords 8.</p> <p>17 (WHEREUPON, a certain document was</p> <p>18 marked as Walgreens-Swords Exhibit</p> <p>19 No. 8: Administrative Inspection</p> <p>20 Warrant; WAGMDL00493697 -</p> <p>21 00493700.)</p> <p>22 BY MR. MOUGEY:</p> <p>23 Q. Which is a copy of a subpoena received</p> <p>24 by Walgreens for the Perrysburg distribution center</p>	<p style="text-align: right;">Page 253</p> <p>1 Department of Justice."</p> <p>2 Do you see that, sir?</p> <p>3 A. I do.</p> <p>4 Q. And if you turn to Bates No. 493699,</p> <p>5 paragraph 4, it's page 3 of the document.</p> <p>6 A. Okay.</p> <p>7 Q. That the DEA was "authorized to remove</p> <p>8 for copying from the above-described controlled</p> <p>9 premises the following records, reports, files and</p> <p>10 inventories, including computerized records, as are</p> <p>11 appropriate and necessary to the effective</p> <p>12 accomplishment of the inspection."</p> <p>13 Do you see that?</p> <p>14 A. I do.</p> <p>15 Q. And it goes on in paragraphs A and B to</p> <p>16 elaborate some specific documents. Correct?</p> <p>17 A is the reference to relate to the</p> <p>18 distribution of controlled substances, correct?</p> <p>19 A. It appears that's what it says.</p> <p>20 Q. Yes, sir. And this is February 5, 2013,</p> <p>21 signed by the U.S. Magistrate Judge, Northern</p> <p>22 District of Ohio.</p> <p>23 Do you see that on the last page?</p> <p>24 A. Yes, I do.</p>

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1 Q. Okay. And, sir, this is almost right on  
 2 top of the ongoing investigation into the  
 3 Perrysburg -- I'm sorry -- the Jupiter distribution  
 4 center in Florida, correct?  
 5 A. Yes.  
 6 Q. Now, the Perrysburg distribution center  
 7 was ultimately shut down as far Schedule II and  
 8 Schedule III controlled substances, correct?  
 9 MR. STOFFELMAYR: Objection to the form.  
 10 BY THE WITNESS:  
 11 A. All of our distribution centers  
 12 eventually were -- after the action in Jupiter, the  
 13 decision of the company was to discontinue all  
 14 controlled substance distribution for the  
 15 company -- by the company for the company,  
 16 transition that to a wholesaler.  
 17 BY MR. MOUGEY:  
 18 Q. Yes, sir. Did that have any reason or  
 19 was that decision made because of the DEA's  
 20 investigation into those distribution centers?  
 21 MR. STOFFELMAYR: Objection to the form.  
 22 BY THE WITNESS:  
 23 A. It was made as a result of some of  
 24 the -- the actions that were being taken and to

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1 make sure that we had the appropriate supply of  
 2 medications moving forward.  
 3 BY MR. MOUGEY:  
 4 Q. That's a little -- that question is a  
 5 little different than what I think I asked. You  
 6 said it was -- your answer was "The actions  
 7 taken -- were being taken and to make sure we had  
 8 the appropriate supply of medications."  
 9 But what I'm asking, sir, is a little  
 10 different. What I'm asking was: Were those  
 11 distribution centers as far as Schedule II and  
 12 Schedule III, Perrysburg and Woodland, shut down,  
 13 no longer distributing opiates, because of the  
 14 DEA's investigation?  
 15 MR. STOFFELMAYR: Objection to the form.  
 16 BY THE WITNESS:  
 17 A. They -- the -- DEA action at the Jupiter  
 18 warehouse led us to the conclusion that we should  
 19 not be distributing our own controlled substances  
 20 and we wanted to transition that into the  
 21 Cardinal -- at the time Cardinal wholesaler.  
 22 BY MR. MOUGEY:  
 23 Q. Did the decision to shut down Perrysburg  
 24 have anything to do with the DEA warrant into the

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1 Perrysburg facility?  
 2 MR. STOFFELMAYR: Objection to the form. Go  
 3 ahead.  
 4 BY THE WITNESS:  
 5 A. I don't know what -- I wasn't involved  
 6 in the decision as to whether Perrysburg shuts  
 7 down. I know that the strategy of the company was  
 8 to eliminate the distribution of controlled  
 9 substances by ourselves.  
 10 BY MR. MOUGEY:  
 11 Q. I wasn't asking if you were involved in  
 12 the decision to shut it down. Okay.  
 13 You are now in charge of, early '13,  
 14 you're in charge of Pharmaceutical Integrity,  
 15 right?  
 16 A. Yes.  
 17 Q. You're in charge of suspicious order  
 18 monitoring, orders going into those distribution  
 19 centers, correct?  
 20 A. Yes.  
 21 Q. That is your direct purview, correct?  
 22 A. That's correct.  
 23 Q. You are facing actually going to  
 24 administrative hearing with the DEA and the

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1 Department of Justice on the Jupiter distribution  
 2 center, correct?  
 3 A. Yes.  
 4 Q. Now your Perrysburg distribution center  
 5 receives a subpoena into similar issues, correct?  
 6 A. Yes.  
 7 Q. Do you believe that the Perrysburg  
 8 facility was shut down because of similar problems  
 9 as to what was happening in Jupiter?  
 10 MR. STOFFELMAYR: Objection to the form.  
 11 BY THE WITNESS:  
 12 A. I think it was shut down out of concern  
 13 of the continued supply of medications to our  
 14 pharmacies and, you know, the decision was made to  
 15 transition that business out of Walgreens and into  
 16 a wholesaler.  
 17 BY MR. MOUGEY:  
 18 Q. There would be no concern about supply  
 19 unless it was shut down, right?  
 20 MR. STOFFELMAYR: Objection to the form.  
 21 BY THE WITNESS:  
 22 A. I suppose you could frame it that way.  
 23 BY MR. MOUGEY:  
 24 Q. I'm not -- it's not a reach here.

<p style="text-align: right;">Page 258</p> <p>1 You're not going to have supply problems unless the  2 distribution center gets shut down, right?  3 MR. STOFFELMAYR: Same objection.  4 BY THE WITNESS:  5 A. Correct.  6 BY MR. MOUGEY:  7 Q. Okay. So, let's go back to my question.  8 Do you believe that the Perrysburg  9 facility was shut down, Schedule II and  10 Schedule III opiates, because of similar problems  11 of what was happening at the Jupiter distribution  12 center?  13 MR. STOFFELMAYR: Objection to the form.  14 BY THE WITNESS:  15 A. I believe it was shut down out of  16 concern of what was occurring in Jupiter that could  17 have an impact on our ability to supply medications  18 at our other -- from our other two distribution  19 centers.  20 The company at that point decided to  21 change the strategy and move to a wholesaler  22 supply -- supplier strategy for controlled  23 substances.  24 BY MR. MOUGEY:</p>	<p style="text-align: right;">Page 260</p> <p>1 know where she worked and what her responsibility  2 was.  3 Q. Right. But Sue Thoss has under her  4 purview of responsibility, she was responsible for  5 overseeing, as far as your testimony, the  6 suspicious order monitoring policies and procedures  7 at Walgreens in relation to the distribution  8 centers?  9 A. I don't believe that's what I testified  10 to with Sue Thoss. I said Sue Thoss was in supply  11 chain and distribution, logistics. I don't know  12 whether she was responsible for suspicious order  13 monitoring or somebody else in supply chain was  14 responsible for that.  15 Q. She is a divisional VP, right?  16 A. Yes.  17 Q. Fairly senior role, correct?  18 A. There are a number of them in supply  19 chain.  20 Q. I didn't ask you how many. What I asked  21 you was: A fairly senior role?  22 A. Yes.  23 Q. Okay. Thank you.  24 How many divisional VPs are there in the</p>
<p style="text-align: right;">Page 259</p> <p>1 Q. I hand you what I've marked as Swords 9.  2 (WHEREUPON, a certain document was  3 marked as Walgreens-Swords Exhibit  4 No. 9: 2/12/13 e-mail string;  5 WAGMDL00478001 -00478002.)  6 BY MR. MOUGEY:  7 Q. Start at the bottom of the page, an  8 e-mail from Sue Thoss. Do you know who Sue Thoss  9 is?  10 A. I do.  11 Q. And who is Sue Thoss?  12 A. Sue Thoss was a divisional vice  13 president in our supply and distribution, supply  14 chain and distribution.  15 Q. Which is the division that you believed  16 was responsible for implementing Walgreens'  17 suspicious order monitoring policy prior to  18 Pharmaceutical Integrity, correct?  19 A. Correct.  20 Q. So, Sue Thoss should kind of know  21 something about suspicious order monitoring  22 policies and interactions with the DEA as it  23 relates to the distribution centers, correct?  24 A. I don't know what Sue Thoss knows. I</p>	<p style="text-align: right;">Page 261</p> <p>1 supply chain?  2 A. At least five that I know of.  3 Q. And that's across the entire U.S.?  4 A. Yes.  5 Q. So, there is five divisional VPs in the  6 supply chain. Supply chain group is responsible  7 for overseeing Walgreens' suspicious order  8 monitoring policies and procedures, according to  9 your testimony today, prior to Pharmaceutical  10 Integrity, correct?  11 A. That's correct.  12 Q. Thank you. So, Ms. Thoss e-mails a  13 series of folks here, and let's go through them.  14 Just walk me through on the bottom of this e-mail,  15 Bates No. 478001, who all these folks are.  16 Who is Joseph Tiemeyer?  17 A. I have no idea.  18 Q. Lynn Guyot?  19 A. I have no idea.  20 Q. You don't have any idea who all those  21 people are on that e-mail chain?  22 A. You asked me about --  23 Q. That was my next question. It's a third  24 question. You didn't know the first two. So,</p>

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1 instead of going through them one by one, do you  
2 know any of the people on the e-mail chain?  
3 A. I do, yes.  
4 Q. Which ones do you know?  
5 A. I know Denise Wong.  
6 Q. Okay. Who is Denise Wong?  
7 A. She was formerly our chief information  
8 officer.  
9 Q. Okay.  
10 A. I know Brian Amend.  
11 Q. Okay.  
12 A. I think he is like IT programmer kind of  
13 guy.  
14 Q. Okay.  
15 A. Vinayak, same thing, IT. I'm not sure.  
16 Q. What but just IT?  
17 A. Yeah. Those are the ones I know.  
18 Q. All right. And Ms. Thoss relies to this  
19 group of individuals, "Last week the DEA came to  
20 Perrysburg with subpoenas." Do you see the date,  
21 February 11, right?  
22 A. Yes.  
23 Q. Subpoena we just saw was executed by a  
24 federal magistrate on February 3, right?

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1 A. Um-hmm.  
2 Q. So, eight days earlier, correct?  
3 A. Yes.  
4 Q. So, "Last week the DEA comes to  
5 Perrysburg with subpoenas looking at records for  
6 suspicious drug ordering dating back to  
7 February 2011."  
8 Correct?  
9 A. Yes.  
10 Q. "We believe they could lock Perrysburg  
11 up and not allow us to ship from there."  
12 Do you see that, sir?  
13 A. Yes, I do.  
14 Q. Was the fact that Walgreens was  
15 concerned about the DEA locking up Perrysburg in  
16 early '13 being discussed in the Pharmaceutical  
17 Integrity Department?  
18 A. Sure.  
19 Q. So, there was concern that Perrysburg  
20 was going to succumb to the same problems that the  
21 Jupiter distribution center had, correct, sir?  
22 MR. STOFFELMAYR: Objection to the form.  
23 BY THE WITNESS:  
24 A. That's correct, which is why I mentioned

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1 that the strategy was to remove all controlled  
2 substances dispensing from Walgreens.  
3 BY MR. MOUGEY:  
4 Q. So, now we're talking --  
5 A. I'm sorry. Let me correct myself. Not  
6 dispensing. Distribution.  
7 Q. So, now here we are, early '13, that two  
8 out of the three distribution centers at Walgreens  
9 are talking about being locked up from the DEA yet  
10 you don't believe there is any widespread or  
11 systemic problems at Walgreens on the suspicious  
12 order monitoring policy on the distributor side?  
13 MR. STOFFELMAYR: Objection to the form.  
14 BY THE WITNESS:  
15 A. Not with respect to what we were doing  
16 on Pharmaceutical Integrity.  
17 BY MR. MOUGEY:  
18 Q. February 2013. You have --  
19 Pharmaceutical Integrity is just getting off the  
20 ground, correct?  
21 A. Yes.  
22 Q. Do you believe that there were systemic  
23 or widespread problems with Walgreens' suspicious  
24 order monitoring policies as of the time that

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1 Walgreens received the subpoena from the DEA and  
2 was expressing concerns about being locked up?  
3 MR. STOFFELMAYR: Objection to the form. Go  
4 ahead.  
5 BY THE WITNESS:  
6 A. I think there were -- there were  
7 certainly gaps or challenges with reporting that we  
8 were working through, primarily dating back prior  
9 to the understanding of just reporting versus  
10 investigating.  
11 Q. Yes, sir. And those gaps or challenges  
12 with reporting were widespread, not just regional  
13 issues, correct, sir?  
14 MR. STOFFELMAYR: Objection to the form. Go  
15 ahead.  
16 BY THE WITNESS:  
17 A. Well, they -- I don't know how you  
18 characterize widespread. They would have involved  
19 all three distribution centers. All work on the  
20 same platform. So, if it's happening at one  
21 distribution center from a reporting structure, you  
22 know, IT is IT.  
23 BY MR. MOUGEY:  
24 Q. Yes, sir. So, the gaps that you're

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1 referencing would be widespread across the entire  
2 distribution network of Schedule II and  
3 Schedule III opiates at Walgreens, correct, sir?  
4 MR. STOFFELMAYR: Objection to the form.  
5 BY THE WITNESS:  
6 A. Prior to the Pharmaceutical Integrity,  
7 yes.  
8 BY MR. MOUGEY:  
9 Q. Yes, sir. There were gaps in Walgreens'  
10 suspicious order monitoring policies prior to  
11 Pharmaceutical Integrity, beginning in 2013, in  
12 relation to Schedule II and Schedule III opiates,  
13 correct, sir?  
14 MR. STOFFELMAYR: Objection to the form. Go  
15 ahead.  
16 BY THE WITNESS:  
17 A. I think that's certainly the conclusion  
18 that the DEA had.  
19 BY MR. MOUGEY:  
20 Q. I'm not asking about what the conclusion  
21 of the DEA had. Before you testified you didn't  
22 know what the DEA was thinking.  
23 Right now I'm asking what Rex Swords  
24 thinks, Rex Swords that takes over Pharmaceutical

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1 Integrity in 2012 that was responsible for and  
2 implementing and enhancing the suspicious order  
3 monitoring policies. Right?  
4 A. Yes.  
5 Q. So, here we are several months after  
6 you've now taken over, correct, sir?  
7 A. Yes.  
8 Q. And, sir, it is your testimony based on  
9 once you began at Pharmaceutical Integrity that  
10 there were retrospective gaps in the nationwide  
11 distribution at Walgreens of Schedule II and  
12 Schedule III narcotics, correct, sir?  
13 MR. STOFFELMAYR: Objection to the form.  
14 BY THE WITNESS:  
15 A. With respect to suspicious order  
16 monitoring.  
17 BY MR. MOUGEY:  
18 Q. Yes, sir. With respect to suspicious  
19 order monitoring at Walgreens prior to  
20 Pharmaceutical Integrity, there were gaps --  
21 A. Yes.  
22 Q. -- in Walgreens' policies and  
23 procedures, correct, sir?  
24 MR. STOFFELMAYR: Objection to the form. Go

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1 ahead.  
2 BY THE WITNESS:  
3 A. Yes.  
4 BY MR. MOUGEY:  
5 Q. I'm sorry, Mr. Swords. Bear with me one  
6 second.  
7 A. No problem.  
8 Q. Let's talk about Woodland.  
9 Woodland is the California distribution  
10 center that essentially serviced the western part  
11 of the United States with Schedule II and  
12 Schedule III, amongst other pharmaceuticals,  
13 correct?  
14 A. Correct.  
15 Q. And that is the third distribution  
16 center at Walgreens that distributed Schedule II  
17 and Schedule III, correct?  
18 A. Correct.  
19 Q. And because of the gaps that you  
20 mentioned earlier, pre-Pharmaceutical Integrity,  
21 was Woodland told to get out of the C-II operations  
22 as soon as possible by the DEA?  
23 A. By the DEA?  
24 Q. Yes, sir.

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1 A. Not to my knowledge.  
2 Q. Why do you believe that Walgreens shut  
3 down the Woodland C-II operations, Schedule II  
4 operations?  
5 A. Because it was our strategy to remove  
6 ourselves from the distribution of controlled  
7 substances and transfer that to a wholesaler.  
8 Q. So, it was just a coincidental timewise  
9 that Walgreens is exiting from distribution of  
10 Schedule II and Schedule III at the same time the  
11 DEA is issuing warrants on the distribution  
12 centers?  
13 A. No, it was precipitated by the Jupiter  
14 action, and then we continued. On review, the  
15 strategy was we should just move all of this  
16 business to Cardinal instead of being a distributor  
17 ourselves.  
18 Q. I will hand you what we will mark as  
19 Swords 10.  
20 (WHEREUPON, a certain document was  
21 marked as Walgreens-Swords Exhibit  
22 No. 10: 3/26/13 e-mail with  
23 attachment; WAGMDL00663366 -  
24 00663368.)



<p style="text-align: right;">Page 270</p> <p>1 BY MR. MOUGEY:</p> <p>2 Q. Start at the very top of this document,</p> <p>3 sir, and I'm -- the -- I'm going to mispronounce</p> <p>4 the name. I'll just do the last one. Pandit?</p> <p>5 A. Vinayak.</p> <p>6 Q. Vinayak. And what department was</p> <p>7 Vinayak in?</p> <p>8 A. Supply chain.</p> <p>9 Q. Supply chain. You see below that Ms. --</p> <p>10 is it Ms. Thoss?</p> <p>11 A. Yes.</p> <p>12 Q. The divisional VP, one of the five, is</p> <p>13 copied on this e-mail?</p> <p>14 A. Yes.</p> <p>15 Q. Do you know anyone else on this e-mail</p> <p>16 chain other than Ms. Thoss and Vinayak?</p> <p>17 A. As I stated before, I know Brian Amend.</p> <p>18 I know Mike DuPont. I know Morgan Knight.</p> <p>19 Q. And what is Vinayak Pandit's role in</p> <p>20 supply chain, if you know?</p> <p>21 A. As I mentioned, he is IT. You know, I</p> <p>22 don't know the particular.</p> <p>23 Q. So, are you familiar with what Project</p> <p>24 Forest is?</p>	<p style="text-align: right;">Page 272</p> <p>1 Q. Okay. And did that get implemented?</p> <p>2 A. Yes.</p> <p>3 Q. So, Walgreens at what point in time no</p> <p>4 longer distributes any pharmaceuticals out of its</p> <p>5 own warehouses?</p> <p>6 A. I don't know the specific time. It was,</p> <p>7 you know, '13, '14. I'm sure Cardinal or ABC could</p> <p>8 probably give you the exact dates but...</p> <p>9 Q. So, Ms. Thoss, the divisional VP of</p> <p>10 supply chain, is on this e-mail chain wherein</p> <p>11 they're discussing on the third bullet down that</p> <p>12 the "DEA wants us to get out of Woodland for C-II</p> <p>13 operations as soon as possible."</p> <p>14 Do you see that?</p> <p>15 A. I see that statement, yes.</p> <p>16 Q. It's the third bullet from the bottom</p> <p>17 that begins with "DEA"?</p> <p>18 A. Yes, I see it.</p> <p>19 Q. Did I read that correctly?</p> <p>20 A. Yes, you did.</p> <p>21 Q. So, was there discussion within</p> <p>22 Pharmaceutical Integrity in the beginning of 2013</p> <p>23 that the DEA wanted Walgreens to get out of</p> <p>24 Woodland with C-II operations?</p>
<p style="text-align: right;">Page 271</p> <p>1 A. I am.</p> <p>2 Q. What is Project Forest?</p> <p>3 A. That was our movement of all of our</p> <p>4 distribution to ABC.</p> <p>5 Q. So, why the name Project Forest?</p> <p>6 A. I have no idea. We have all kinds of</p> <p>7 project names. I don't know how they get</p> <p>8 generated.</p> <p>9 Q. Project Gap, Project Forest. What's</p> <p>10 Project Gap?</p> <p>11 A. There's all kinds. I don't know what</p> <p>12 Project Gap is. But, I mean, there is all kinds of</p> <p>13 projects.</p> <p>14 Q. So, Project Forest is the migration</p> <p>15 to -- from Walgreens' distribution centers like</p> <p>16 Perrysburg, Jupiter and Woodland, to using another</p> <p>17 vendor?</p> <p>18 A. It's the -- it's the migration of all of</p> <p>19 our prescription distribution to AmerisourceBergen.</p> <p>20 Q. Now, when you say "all of our</p> <p>21 prescription distribution," for every single</p> <p>22 prescription getting rid of every distribution</p> <p>23 center or just the three?</p> <p>24 A. No, all of them.</p>	<p style="text-align: right;">Page 273</p> <p>1 A. I don't remember that specific topic of</p> <p>2 discussion. I remember the topic being we are</p> <p>3 going to get out of the distribution of controlled</p> <p>4 substances, period.</p> <p>5 Q. Wouldn't -- I mean, as the guy running</p> <p>6 Pharmaceutical Integrity now in charge of</p> <p>7 suspicious operating -- suspicious order</p> <p>8 monitoring, if in fact this conversation is</p> <p>9 accurate with Ms. Thoss and the DEA had told</p> <p>10 Walgreens that it wanted it out of Woodland,</p> <p>11 wouldn't you have wanted to know that as you're</p> <p>12 implementing new policies and procedures to oversee</p> <p>13 C-II and C-III?</p> <p>14 A. Well, it didn't really matter to me</p> <p>15 whether it was the DEA that wanted it or whatever.</p> <p>16 Where we were heading was getting out of the</p> <p>17 distribution. It wasn't important to me what</p> <p>18 the -- what the point of getting out of it was.</p> <p>19 The point was we are going to get out of</p> <p>20 it. You have to -- you have to be able to support</p> <p>21 the go-forward strategy, which is all wholesalers</p> <p>22 supplied controlled substances.</p> <p>23 Q. So, now you were no longer really the</p> <p>24 manager or the overhead of Pharmaceutical Integrity</p>

<p style="text-align: right;">Page 274</p> <p>1 in charge of suspicious order monitoring policies  2 and procedures over controlled substances. You  3 were managing a migration away from one  4 distribution strategy to another?  5 MR. STOFFELMAYR: Objection to the form.  6 BY THE WITNESS:  7 A. No. That's not what I was saying.  8 BY MR. MOUGEY:  9 Q. Yes, sir. Because you were still  10 running Pharmaceutical Integrity in relation to  11 suspicious order monitoring of controlled  12 substances all the way up until late 2014 on the  13 distribution side, correct?  14 A. That's correct.  15 Q. And you -- your testimony to this jury  16 is you didn't want -- you don't think it was  17 important that you knew why Woodland was getting  18 out of distributing drugs like OxyContin. You  19 just -- it was just important to you that that  20 was -- that model was changing?  21 A. What I said was is I don't know what the  22 DEA's thought was around Woodland. What I know is  23 we were moving to a strategy of being wholesaler  24 supplied. That's where we were building. That's</p>	<p style="text-align: right;">Page 276</p> <p>1 2013, correct?  2 A. Yeah, something in there, yeah.  3 Q. So, at the time that you're being asked  4 to run, oversee Pharmaceutical Integrity, your  5 testimony is that Walgreens made a business  6 decision to get out of the distribution business?  7 A. That's correct.  8 Q. So, you were asked to run a department  9 that really was meaningless or had no -- had no  10 significant impact at Walgreens because you all  11 were implementing an exit strategy?  12 A. That's your characterization, not mine.  13 Q. No, sir. I'm asking you a question.  14 A. No, I don't think I would characterize  15 it as that at all.  16 Q. That was an important role you were  17 placed in in Walgreens in 2012 to implement and  18 create suspicious order monitoring policies and  19 procedures, correct?  20 A. I believe it was important -- important  21 work done, yes.  22 Q. And that group continued all the way to  23 the end of 2014 overseeing Walgreens' distribution  24 of Schedule II and Schedule III opiates, correct,</p>
<p style="text-align: right;">Page 275</p> <p>1 where we were heading.  2 We were heading that way as soon as the  3 action in Jupiter began. We took a look at it and  4 we said, "Why are we even in this business?"  5 Q. Walgreens decided we have widespread  6 shortcomings. We're not really good at this  7 distribution model and we need to have other  8 companies, vendors come in to run this part of our  9 operation for us?  10 A. I don't think I'd characterize it as  11 that. I think the evaluation was having our -- one  12 of our partners be involved in that process versus  13 us distributing internally, and having that  14 additional layer of oversight in addition to what  15 we were building with Pharmaceutical Integrity, so  16 to speak, that independent analysis and review as  17 part of that was part of the -- part of the  18 strategy.  19 Q. Pharmaceutical Integrity at the time of  20 this e-mail had been fully staffed for no more than  21 30 days, correct, sir?  22 A. I don't know the specific timing. It's  23 possible. I don't know.  24 Q. Within a couple months, beginning of</p>	<p style="text-align: right;">Page 277</p> <p>1 sir?  2 A. Correct.  3 Q. What is your understanding of when the  4 Woodland operation was shut down?  5 A. I don't have a date for you.  6 Q. Even a general range?  7 A. Couldn't even give you a general range.  8 I don't know when it was.  9 Q. Now, I don't mean to put words in your  10 mouth. Just to make sure I am on the same page.  11 When you started Pharmaceutical  12 Integrity and implemented the suspicious order  13 monitoring policy system, do you have a general  14 understanding of the formula that was used to  15 detect suspicious orders?  16 A. No. Not the understanding of the  17 formula used.  18 Q. Do you have a general understanding of  19 the results of the formula that was used?  20 A. Generally speaking, yes.  21 Q. And that formula that was used was  22 intended to identify suspicious orders, correct?  23 A. Yes.  24 Q. And those suspicious orders were then</p>

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1 flagged and reported to the DEA, correct?  
2 A. That's my understanding, yes.  
3 Q. And then before those suspicious orders  
4 were flagged and reported to the DEA, there was due  
5 diligence performed on those orders before they  
6 were shipped, right?  
7 A. On the supply chain?  
8 Q. Yes.  
9 A. I'm not sure what the total process  
10 there was on supply chain. I wasn't involved in  
11 that.  
12 Q. All right. Let's see if we can go  
13 through this process, as you understand it, in the  
14 beginning of 2013.  
15 So, let me hand you what I'm going to  
16 mark as Swords 11.  
17 (WHEREUPON, a certain document was  
18 marked as Walgreens-Swords Exhibit  
19 No. 11: 8/26/09 Project Request  
20 Estimate; WAGMDL00492067 -  
21 00492069.)  
22 BY MR. MOUGEY:  
23 Q. Swords 11, which is Bates No. 492067, is  
24 an August 26, 2009 memorandum drafted by a

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1 programmer analyst titled "DEA Suspicious Order  
2 Item Limits - Phase II."  
3 Do you see that?  
4 A. I do.  
5 Q. I want to direct your attention to the  
6 bottom of the first paragraph under "Description"  
7 where "Rx Services will have the" -- actually, let  
8 me -- I just got started on the wrong stack.  
9 I'll tell you what. Hold off on that,  
10 and let me -- I apologize. I just grabbed the  
11 wrong stack. Keep that Swords 11 in front of you.  
12 I'm going to come back to that in just a minute.  
13 Okay?  
14 (WHEREUPON, a certain document was  
15 marked Walgreens-Swords Exhibit  
16 No. 12: 6/23/08 memo;  
17 WAGMDL00624503 - 00624508.)  
18 BY MR. MOUGEY:  
19 Q. Okay. So, Swords 12 is a memorandum  
20 dated June 23, 2008.  
21 Do you see that?  
22 A. I do.  
23 Q. And you see the section where it was  
24 drafted from Wayne Bancroft and Tracy Morris,

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1 correct?  
2 A. Yes.  
3 Q. And do you know who Wayne Bancroft and  
4 Tracy Morris are?  
5 A. I do not.  
6 Q. And the deliverable was a "proposal for  
7 defining 'suspicious orders' in the Walgreens  
8 distribution system."  
9 Do you see that?  
10 A. I do.  
11 Q. And the regarding or the topic of the  
12 memo is the "DEA suspicious order reporting"?  
13 A. I see that, yes.  
14 Q. Sir, you don't have an understanding  
15 that the genesis of the algorithm or the  
16 methodology or the metrics, whatever you want to  
17 call it, for the metrics that were in place you  
18 took over, were created by Wayne Bancroft and Tracy  
19 Morris?  
20 A. No, I don't.  
21 Q. Under the "Overview," what I want to do  
22 is I want to use these documents for you to help me  
23 understand your understanding of how the system  
24 worked when you took over. Okay? So, whether this

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1 is the same or different. All right, sir?  
2 A. Okay.  
3 Q. Does that make sense?  
4 A. All right.  
5 Q. So, in 2008, when Mr. Bancroft drafted  
6 this memo -- did you review this memo in  
7 preparation for today?  
8 A. No, I've never seen it before.  
9 Q. "The DEA is requiring Walgreens to  
10 monitor the orders for controlled substances that  
11 our stores place on our distribution centers for  
12 suspicious activity."  
13 Did I read that right?  
14 A. You did.  
15 Q. The next sentence says, "Suspicious  
16 orders are defined in terms of order size and order  
17 frequency."  
18 Do you agree with that sentence?  
19 A. I think that's -- that's part of how you  
20 could determine suspicious orders.  
21 Q. Okay. And the next sentence goes on,  
22 "This document proposes a methodology for  
23 identifying suspicious orders in terms of order  
24 size and order frequency."

<p style="text-align: right;">Page 282</p> <p>1 Did I get that right?</p> <p>2 A. That's what it says, yes.</p> <p>3 Q. All right. Now, I'm going to come back</p> <p>4 to the first page, but what I'd like you to do is</p> <p>5 to flip through the next couple pages and look at</p> <p>6 the methodology on tolerance limits and order</p> <p>7 frequency and if that appears to be, and I'm not</p> <p>8 asking you identical, I understand you're not a</p> <p>9 math Ph.D., but does this look similar to what was</p> <p>10 in place when you came on Pharmaceutical Integrity</p> <p>11 that you're saying I really don't understand the</p> <p>12 formula?</p> <p>13 A. I have --</p> <p>14 MR. STOFFELMAYR: Objection to the form. Go</p> <p>15 ahead.</p> <p>16 THE WITNESS: I'm sorry.</p> <p>17 BY THE WITNESS:</p> <p>18 A. I have no idea.</p> <p>19 BY MR. MOUGEY:</p> <p>20 Q. You have no idea?</p> <p>21 A. I've never seen this before so I --</p> <p>22 Q. Well, I'm not asking -- I'm asking you</p> <p>23 have you ever even seen the formula that your</p> <p>24 group --</p>	<p style="text-align: right;">Page 284</p> <p>1 each other.</p> <p>2 THE WITNESS: Okay.</p> <p>3 MR. MOUGEY: I don't think we're arguing with</p> <p>4 at all.</p> <p>5 BY MR. MOUGEY:</p> <p>6 Q. You are answering. Please go ahead.</p> <p>7 And while you're answering the question, I don't</p> <p>8 think it's appropriate that your counsel tells you</p> <p>9 to stop talking or whatever else.</p> <p>10 So, go ahead, please.</p> <p>11 MR. STOFFELMAYR: Actually I meant you were</p> <p>12 arguing with him.</p> <p>13 MR. MOUGEY: Thank you. Either way isn't</p> <p>14 really appropriate.</p> <p>15 BY MR. MOUGEY:</p> <p>16 Q. Go ahead.</p> <p>17 A. The level of detail as to the formulaic</p> <p>18 algorithm is not the level that I need.</p> <p>19 Q. I'm not asking you for the -- what I'm</p> <p>20 asking you is generally to understand what you were</p> <p>21 doing with the formula at Pharmaceutical Integrity</p> <p>22 in early '13. Do you have an understanding?</p> <p>23 A. Yes.</p> <p>24 Q. Okay. Why don't you tell me in early</p>
<p style="text-align: right;">Page 283</p> <p>1 A. No.</p> <p>2 Q. Before you answer the question, maybe</p> <p>3 you could wait until I finish. Okay?</p> <p>4 A. Okay.</p> <p>5 Q. Have you ever seen the formula that your</p> <p>6 group was using at Pharmaceutical Integrity in</p> <p>7 early 2013?</p> <p>8 A. No.</p> <p>9 Q. You've never asked to see the formula?</p> <p>10 A. No.</p> <p>11 Q. Have you ever had anybody explain it to</p> <p>12 you?</p> <p>13 A. Yeah. They've explained it to me in</p> <p>14 broad terms.</p> <p>15 Q. But you've never said, "Let me see the</p> <p>16 formula," or ask the guy that wrote it to "Come and</p> <p>17 help me get educated" --</p> <p>18 A. No.</p> <p>19 Q. -- "on what I was doing"?</p> <p>20 A. Why would I do that? I don't --</p> <p>21 Q. Why would you do that. I guess that's a</p> <p>22 good point. So --</p> <p>23 A. I don't -- you know --</p> <p>24 MR. STOFFELMAYR: You guys are arguing with</p>	<p style="text-align: right;">Page 285</p> <p>1 '13 what you think you were doing?</p> <p>2 A. We were looking at order history.</p> <p>3 Q. How far back?</p> <p>4 A. I don't know the specific time frame.</p> <p>5 Q. Okay.</p> <p>6 A. We would look at order history. We</p> <p>7 would look at recent trends on the medication and</p> <p>8 then we would look at the amount of volume that</p> <p>9 was -- that was moving compared to their peer</p> <p>10 groups on some of these issues, and there were a</p> <p>11 number of factors that would go into determining,</p> <p>12 you know, the first filter on what would be</p> <p>13 suspicious in our mind.</p> <p>14 Q. What number of factors?</p> <p>15 A. I just gave you the ones I can recall.</p> <p>16 Q. Okay. You said, "and then there was a</p> <p>17 number of factors." So, you're telling me this is</p> <p>18 all you can remember?</p> <p>19 A. That's what I recall.</p> <p>20 Q. And this formula, metric, was in place</p> <p>21 and still is in place up to today in the</p> <p>22 Pharmaceutical Integrity Department, correct?</p> <p>23 A. I don't know what's in place today in</p> <p>24 Pharmaceutical Integrity.</p>

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1 Q. How long did you continue to oversee  
2 Pharmaceutical Integrity?  
3 A. I left that a couple years ago.  
4 Q. So, 2016?  
5 A. Yeah.  
6 Q. So, from 2012 to 2016 this is what you  
7 can remember, order history, recent trends, volume,  
8 and I think you said moving compared to peer groups  
9 and then a number of other factors?  
10 A. Right.  
11 Q. That's your understanding?  
12 A. Correct.  
13 Q. Do you have -- order history, I asked  
14 you about how long or how far back, you didn't  
15 know, right?  
16 A. I don't know.  
17 Q. Do you know what was pulled as part of  
18 the order history to look at? Was it NDC code?  
19 Was it by drug family? How did -- what data pull  
20 was there?  
21 A. I don't know the specifics of it.  
22 Q. Really you don't even know the  
23 generalities of the order history part, right?  
24 MR. STOFFELMAYR: Objection to the form.

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1 BY MR. MOUGEY:  
2 Q. Other than just the label order history?  
3 MR. STOFFELMAYR: Objection to the form.  
4 BY MR. MOUGEY:  
5 Q. What do you remember anything about  
6 order history?  
7 A. It would -- we were looking back a  
8 certain number of weeks on there. I don't know  
9 whether, you know -- I don't know what the number  
10 of weeks were, but we were looking in the  
11 historical movement of the product, see what the  
12 trends were, see --  
13 Q. Before you go into the others, let's  
14 stick on order history.  
15 You don't know the weeks even generally  
16 and you don't know what data was being pulled under  
17 the order history component, right?  
18 A. It would have been by product, the  
19 movement of that drug for a particular number of  
20 weeks.  
21 Q. And I am going to come back at the end  
22 and I'm going to ask you how all these parts  
23 identified suspicious orders. Okay?  
24 So, recent trends. What recent trends?

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1 A. What's dispensing activity at the store  
2 look like more recently. So, there have been  
3 spikes, movements, declines, increases of that  
4 particular item.  
5 Q. I apologize, but I could have -- I must  
6 have misunderstood. I thought earlier in the day  
7 that the dispensing activity was totally separate  
8 from the suspicious order monitoring. They are  
9 interspersed a little bit?  
10 A. Well, you're going -- this is what  
11 drives orders. So...  
12 Q. That would make sense. So --  
13 A. Maybe I'm misunderstanding your  
14 question.  
15 Q. Maybe I misunderstood your answer. That  
16 could be my fault.  
17 So, recent trends includes dispensing  
18 activities, spikes, movements, indices, ups and  
19 downs is what you're looking at?  
20 A. Maybe I need to have a better  
21 understanding of what exactly -- are you referring  
22 to suspicious order monitoring or are you -- I need  
23 to -- I'm not sure I'm following exactly.  
24 Q. Suspicious order monitoring.

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1 A. Okay.  
2 Q. We're talking about the formula that you  
3 never looked at and your general understanding of  
4 what it was.  
5 A. I was --  
6 MR. STOFFELMAYR: Objection to the form. Go  
7 ahead.  
8 BY THE WITNESS:  
9 A. I was giving you some of the parameters  
10 that would -- that we'd look at when an order  
11 reached us to determine whether we felt there was  
12 another review necessary of that.  
13 BY MR. MOUGEY:  
14 Q. Okay.  
15 A. Sort of an order of interest, right.  
16 Q. So, let's go back.  
17 The order history, the recent trends,  
18 the volume and the number of other factors, is that  
19 suspicious order monitoring that you're talking  
20 about or dispensing?  
21 A. That's suspicious order monitoring.  
22 Q. And that's on the distribution side,  
23 right?  
24 A. Yes.



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1 Q. So, we got through recent trends. Do  
 2 you recall anything other than dispensing  
 3 activities, spikes, any movements, indices,  
 4 anything other than those generalities under what's  
 5 included under recent trends?  
 6 A. That's generally what the Pharmaceutical  
 7 Integrity would -- those are some of the components  
 8 they would have been looking at, probably not all  
 9 of them. I don't know what all of them are.  
 10 Q. Okay. So, the next thing, you said  
 11 volume, peer groups. What did you mean by that?  
 12 A. So, is this -- does this particular  
 13 store that's requesting that order stand out from  
 14 the rest of the surrounding stores.  
 15 Q. What methodology was used to identify  
 16 those outliers?  
 17 A. Well, we have --  
 18 MR. STOFFELMAYR: Objection to the form. Go  
 19 ahead.  
 20 THE WITNESS: Sorry.  
 21 BY THE WITNESS:  
 22 A. We have order history around those other  
 23 stores as well.  
 24 BY MR. MOUGEY:

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1 Q. But you don't -- you don't have any  
 2 understanding, despite 2012 to 2016 being in your  
 3 purview, what order was identified as an outlier,  
 4 what the parameters were?  
 5 A. Well, I gave you some of the criteria  
 6 that we would have looked at. I don't have a list  
 7 of every criteria that we would have looked at.  
 8 Q. I'm sorry. Maybe I'm again still in the  
 9 slow category.  
 10 Tell me what specific components you  
 11 gave me to identify outliers.  
 12 A. Outliers orders?  
 13 Q. Yes, sir.  
 14 A. High volume, are they the exception to  
 15 the trade area, so what do other Walgreens stores,  
 16 has there been a recent increase in the volume.  
 17 So, not only a look-back of a longer term, but  
 18 what's happened in the last three, four, five weeks  
 19 at the store. So, what's shifting around.  
 20 Q. Did you use any of the other IMS or  
 21 vendor data collection services as part of your  
 22 suspicious order monitoring?  
 23 A. No. That would have been more around  
 24 dispensing.

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1 Q. So, once an outlier was identified in  
 2 Pharmaceutical Integrity, an outlier order, then  
 3 what happened?  
 4 A. The Pharmaceutical Integrity group would  
 5 have contacted -- first thing is the order would  
 6 have been stopped or reduced and the -- with the  
 7 ceiling limit applied or whatever needed to happen  
 8 at that point, and then typically the  
 9 Pharmaceutical Integrity company would reach out to  
 10 the store to find out what's driving that, probably  
 11 engage their local leadership, too, for more  
 12 information about what's going on at a particular  
 13 store.  
 14 So, for example, if the store appears  
 15 high, is it a store that just converted to 24 hours  
 16 and so now they have more demand because they are  
 17 servicing emergency rooms around the area, is it a  
 18 store where the clinic just opened up across the  
 19 street that's an oncology clinic and dispensing  
 20 habits change occasionally and sometimes that leads  
 21 to things looking odd that aren't really odd.  
 22 Q. All right. Let's go back to the stopped  
 23 or reduced I think is what you said, right?  
 24 A. Um-hmm.

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1 Q. So, an outlier order is flagged and it's  
 2 stopped or reduced and then it's reported to the  
 3 DEA?  
 4 A. It is -- it is sent to the wholesaler.  
 5 So, we're the intermediary before the wholesaler  
 6 gets the item.  
 7 Q. Okay. But when you say "the  
 8 wholesaler," you mean another vendor like a  
 9 Cardinal or ANDA?  
 10 A. Yes.  
 11 Q. Okay. Right now I'm talking about  
 12 Walgreens' role as a distributor, right, because  
 13 that's -- we're not talking about Walgreens as a  
 14 dispenser. We're talking about Walgreens as a  
 15 distributor, right? Suspicious order monitoring  
 16 policy. Walgreens is a distributor. Does that  
 17 make sense?  
 18 A. Well, I'm sorry. I thought you were  
 19 talking about while we were in Pharmaceutical  
 20 Integrity time frame, and basically we're out of  
 21 the dispensing opportunities by that time. We've  
 22 transitioned it to Cardinal.  
 23 Q. You mean --  
 24 A. And they are applying their own set of

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1 standards around the orders as well as what we're  
 2 doing.  
 3 Q. 2012, you were asked to run  
 4 Pharmaceutical Integrity to the end of 2014.  
 5 You're still running Pharmaceutical Integrity and  
 6 Walgreens is still acting as a distributor for  
 7 opiates, correct?  
 8 A. At select distribution centers, that may  
 9 be true. I don't know what time frame the DCs  
 10 rolled off, but --  
 11 Q. But you were still distributing late  
 12 into 2014?  
 13 A. If that's the date you have. I don't  
 14 have a date.  
 15 Q. That's the time period. We're talking  
 16 about Walgreens as a distributor.  
 17 A. Okay.  
 18 Q. Okay. So, let's go back to stopped or  
 19 reduced. All right.  
 20 So, stopped or reduced, orders  
 21 identified as an outlier, is that order reported to  
 22 the DEA?  
 23 A. Yes.  
 24 Q. And because if it wasn't sending the

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1 order to the DEA, Walgreens would not be fulfilling  
 2 its responsibilities, correct?  
 3 MR. STOFFELMAYR: Objection to the form.  
 4 BY THE WITNESS:  
 5 A. We have an obligation to report to the  
 6 DEA.  
 7 BY MR. MOUGEY:  
 8 Q. So, the order comes in. It's halted,  
 9 reduced and reported. Do I have that sequence  
 10 right?  
 11 MR. STOFFELMAYR: Objection to the form.  
 12 BY THE WITNESS:  
 13 A. Yes.  
 14 BY MR. MOUGEY:  
 15 Q. All right. When I say "reported," I  
 16 mean reported to the DEA is your understanding,  
 17 correct?  
 18 A. If we couldn't resolve the issue, yes.  
 19 Q. All right. So, you just added another  
 20 piece into there. So, let me go back and make sure  
 21 I understand.  
 22 So, stopped or reduced and the order  
 23 that's reduced is then sent to the DEA, correct,  
 24 sir?

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1 A. I don't know the particular mechanics.  
 2 What would happen here is with the Pharmaceutical  
 3 Integrity group, what would occur, we were looking  
 4 at orders of interest.  
 5 So, an order would come in. They've got  
 6 their algorithm that Ed Bratton and a bunch of  
 7 other smart guys figured out. That goes against  
 8 the algorithm. They look at the other factors,  
 9 what we have been talking about.  
 10 And, so, is that -- does that turn into  
 11 a suspicious order or is there -- that order of  
 12 interest now has a reasonable explanation for  
 13 what's happening. Then that would get transmitted  
 14 for the order fulfillment.  
 15 Q. Okay. So, let's go back to my initial  
 16 question. Order comes in and it's identified as an  
 17 outlier from the formula. Are we on the same page?  
 18 A. Okay.  
 19 Q. And Walgreens' practice in  
 20 Pharmaceutical Integrity was to reduce that order,  
 21 correct?  
 22 A. On certain orders, yes.  
 23 Q. Well, if it was flagged as an outlier,  
 24 it was reduced, correct?

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1 A. Or canceled.  
 2 Q. And if it was reduced or canceled as an  
 3 outlier, was that order reported to the DEA as  
 4 suspicious?  
 5 A. That's my understanding.  
 6 Q. Okay. And at that point the  
 7 Pharmaceutical Integrity would look to see if there  
 8 was any reasons why it had popped on the outlier  
 9 report like you mentioned, whether there was a  
 10 24-hour emergency -- 24-hour store with an  
 11 emergency room nearby, things of that nature?  
 12 A. Correct.  
 13 Q. Is that your testimony? Okay.  
 14 So, now, when is the override form  
 15 implemented, according to your testimony?  
 16 A. For the store --  
 17 Q. Yes.  
 18 A. -- to implement it?  
 19 When we would block the order and we  
 20 would notify the store that the order has been  
 21 canceled or blocked and they can -- they can  
 22 leverage the CSO override form to submit the  
 23 documentation of what's -- what's occurred.  
 24 Q. And if that was approved, a new order

<p style="text-align: right;">Page 298</p> <p>1 was submitted, correct?</p> <p>2 A. Correct.</p> <p>3 Q. Okay. So, you'd agree with me in that</p> <p>4 process that if the -- if Walgreens was not</p> <p>5 reporting orders that were flagged as outliers on</p> <p>6 the system after they were reduced, that Walgreens</p> <p>7 was not fulfilling its responsibilities as a</p> <p>8 distributor?</p> <p>9 A. We --</p> <p>10 MR. STOFFELMAYR: Objection to the form. Go</p> <p>11 ahead.</p> <p>12 BY THE WITNESS:</p> <p>13 A. We had an obligation to report, yes.</p> <p>14 BY MR. MOUGEY:</p> <p>15 Q. And you had an obligation to report</p> <p>16 orders that had been reduced and not filled as to</p> <p>17 the DEA, correct?</p> <p>18 MR. STOFFELMAYR: Same objection.</p> <p>19 BY THE WITNESS:</p> <p>20 A. If they were classified as suspicious</p> <p>21 orders, yes.</p> <p>22 BY MR. MOUGEY:</p> <p>23 Q. I'm not trying to put labels on things.</p> <p>24 I'm trying to go with your formula.</p>	<p style="text-align: right;">Page 300</p> <p>1 Q. Okay. And if it didn't report that</p> <p>2 outlier that had been reduced, Walgreens wasn't</p> <p>3 fulfilling its responsibilities as a distributor,</p> <p>4 correct?</p> <p>5 MR. STOFFELMAYR: Objection to the form.</p> <p>6 BY THE WITNESS:</p> <p>7 A. Correct.</p> <p>8 BY MR. MOUGEY:</p> <p>9 Q. Let's go back to that override form for</p> <p>10 a second. All right.</p> <p>11 So, orders come in. It's been flagged</p> <p>12 as an outlier, reduced or taken to zero. Your</p> <p>13 understanding is it was being reported to the DEA</p> <p>14 to fulfill its obligations. And what was the --</p> <p>15 how did the override process start?</p> <p>16 A. The store would have been notified that</p> <p>17 it was canceled and the store could request the</p> <p>18 override.</p> <p>19 Q. Okay. And, so, then the interface, the</p> <p>20 pharmacist or the store would get on and interface</p> <p>21 with the Pharmaceutical Integrity?</p> <p>22 A. They'd fill out the form, which would</p> <p>23 route to Pharmaceutical Integrity.</p> <p>24 Q. All right. And then --</p>
<p style="text-align: right;">Page 299</p> <p>1 So, the formula identifies an outlier.</p> <p>2 Are we on the same page?</p> <p>3 A. Yes.</p> <p>4 Q. And it was reduced. Still on the same</p> <p>5 page?</p> <p>6 A. Yes.</p> <p>7 Q. That order, Walgreens had an obligation</p> <p>8 to report to the DEA, correct?</p> <p>9 MR. STOFFELMAYR: Objection to the form.</p> <p>10 BY THE WITNESS:</p> <p>11 A. Again, if it was -- if it met those</p> <p>12 criteria, yes, we would report it.</p> <p>13 BY MR. MOUGEY:</p> <p>14 Q. And when you say "those criteria,"</p> <p>15 meaning that it was flagged as an outlier and it</p> <p>16 was reduced. When those two criteria were met,</p> <p>17 Walgreens had an obligation to report that order to</p> <p>18 the DEA, correct?</p> <p>19 A. That's my --</p> <p>20 MR. STOFFELMAYR: Objection to the form.</p> <p>21 Sorry.</p> <p>22 BY THE WITNESS:</p> <p>23 A. That's my understanding.</p> <p>24 BY MR. MOUGEY:</p>	<p style="text-align: right;">Page 301</p> <p>1 A. I believe --</p> <p>2 Q. Sorry.</p> <p>3 A. I believe that their field leadership at</p> <p>4 the time had to also sign, so to speak, approve</p> <p>5 the -- approve the request.</p> <p>6 Q. Okay.</p> <p>7 A. So, there was multiple layers of</p> <p>8 validation of -- was -- for the request to</p> <p>9 override.</p> <p>10 Q. All right. Now, did Walgreens have a</p> <p>11 mechanism for capturing when Pharmaceutical</p> <p>12 Integrity group approved an override, like the</p> <p>13 reasons?</p> <p>14 A. I believe they did.</p> <p>15 Q. And that went into some sort of a</p> <p>16 database or some -- some electronic to capture</p> <p>17 those reasons?</p> <p>18 A. That's my understanding, yes.</p> <p>19 Q. So, were there policies and procedures</p> <p>20 in place to guide Pharmaceutical Integrity about</p> <p>21 when to approve an override form request from the</p> <p>22 store or not?</p> <p>23 A. I believe there were -- there were</p> <p>24 policies or, you know, checkpoints, so to speak,</p>

<p style="text-align: right;">Page 302</p> <p>1 that they would go through particularly around the</p> <p>2 red flags and, again, looking at overall, the</p> <p>3 overall landscape of the store, what's it look like</p> <p>4 overall, is this a one-drug issue or are there</p> <p>5 multiple drugs. What's the environment, so to</p> <p>6 speak.</p> <p>7 Q. Did you use the word -- was it</p> <p>8 "checklist" you said?</p> <p>9 A. You know, I don't want to imply it's</p> <p>10 like a formal checklist that they go through</p> <p>11 because I don't think that's the case, but they</p> <p>12 would go through a series of...</p> <p>13 Q. Was it -- in the policies and</p> <p>14 procedures, were there some -- did it provide some</p> <p>15 criteria for when an override should be approved</p> <p>16 and maybe when they should be rejected? Is there</p> <p>17 any -- any direction given to Pharmaceutical</p> <p>18 Integrity kind of guiding them on when to say yes</p> <p>19 or no to the override form?</p> <p>20 A. I don't have the detail around that.</p> <p>21 Q. I'm not really asking you for specific</p> <p>22 detail of what they were. Is there something that</p> <p>23 you have seen and approved -- because nothing would</p> <p>24 have gone out without you approving it, right?</p>	<p style="text-align: right;">Page 304</p> <p>1 important for Pharmaceutical Integrity to be given</p> <p>2 some direction about when to say yes to an override</p> <p>3 request?</p> <p>4 A. Yes.</p> <p>5 Q. And that direction would include just</p> <p>6 generally some criteria that they were to use when</p> <p>7 making a decision, an important decision, on that</p> <p>8 override request, right?</p> <p>9 A. Yes.</p> <p>10 Q. And that was one of the primary</p> <p>11 responsibilities of Pharmaceutical Integrity was to</p> <p>12 make sure these outliers had answers or reasons why</p> <p>13 they were outliers, right?</p> <p>14 A. Correct.</p> <p>15 Q. And if the outlier was approved for an</p> <p>16 override, you would believe that there was some</p> <p>17 significant information gathered to and recorded to</p> <p>18 evidence that decision-making process, right?</p> <p>19 A. Correct.</p> <p>20 Q. Okay. And your team, Pharmaceutical</p> <p>21 Integrity, was trained on the criteria and how to</p> <p>22 document and evidence the reasons given for the</p> <p>23 override form?</p> <p>24 A. Correct.</p>
<p style="text-align: right;">Page 303</p> <p>1 A. That's not true.</p> <p>2 Q. The criteria for approving an</p> <p>3 override -- let's start over again.</p> <p>4 Approving an override is an important</p> <p>5 decision from Pharmaceutical Integrity, is it not?</p> <p>6 A. Yes.</p> <p>7 Q. Okay. Because the algorithm was</p> <p>8 designed to put ceiling limits, correct?</p> <p>9 A. Correct.</p> <p>10 Q. And once it hit that ceiling limit, I</p> <p>11 mean, you tell me, but it's got to be a pretty good</p> <p>12 reason for going over that ceiling limit, right?</p> <p>13 A. Correct.</p> <p>14 Q. And if Pharmaceutical Integrity is going</p> <p>15 to say okay to going over the ceiling limit, it's</p> <p>16 got to be a pretty good explanation for why?</p> <p>17 A. Correct.</p> <p>18 Q. Because it was flagged initially as an</p> <p>19 outlier, right?</p> <p>20 A. Yes.</p> <p>21 Q. You have to have a reason why it's an</p> <p>22 outlier, correct?</p> <p>23 A. Correct.</p> <p>24 Q. So, you would agree that it was</p>	<p style="text-align: right;">Page 305</p> <p>1 Q. And did they have the ability to go back</p> <p>2 and see or analyze for a particular store how many</p> <p>3 overrides they received in the past?</p> <p>4 A. That's my understanding.</p> <p>5 Q. Because that would be a pattern that</p> <p>6 would be important to see just how many times a</p> <p>7 specific store had received an override, correct?</p> <p>8 A. Yes, because it may indicate the ceiling</p> <p>9 is set incorrectly for that particular store.</p> <p>10 Q. Okay. Now, the process that we're</p> <p>11 talking about now, the override form, and we hit</p> <p>12 this earlier this morning, that was designed to --</p> <p>13 I'm going to say -- close off Walgreens' system so</p> <p>14 if an outlier was identified, it had to get</p> <p>15 approved by Pharmaceutical Integrity, correct?</p> <p>16 A. Correct.</p> <p>17 Q. And you don't believe that there were</p> <p>18 any other way for a store to go around the</p> <p>19 rejection of an outlier to get more Schedule II or</p> <p>20 Schedule III, correct?</p> <p>21 MR. STOFFELMAYR: Objection to the form.</p> <p>22 BY THE WITNESS:</p> <p>23 A. The intent was Pharmaceutical Integrity</p> <p>24 would review all order requests.</p>

<p style="text-align: right;">Page 306</p> <p>1 BY MR. MOUGEY:</p> <p>2 Q. Okay. And that's -- Walgreens has a</p> <p>3 responsibility to design a system to identify and</p> <p>4 report and do due diligence on those outliers</p> <p>5 essentially, correct?</p> <p>6 MR. STOFFELMAYR: Objection to the form.</p> <p>7 BY THE WITNESS:</p> <p>8 A. Yes.</p> <p>9 BY MR. MOUGEY:</p> <p>10 Q. Okay. And if Walgreens' system didn't</p> <p>11 effectively monitor and identify those suspicious</p> <p>12 orders, that may or may not meet the obligations as</p> <p>13 a distributor as licensed under the Controlled</p> <p>14 Substance Act, correct?</p> <p>15 MR. STOFFELMAYR: Objection to the form.</p> <p>16 BY THE WITNESS:</p> <p>17 A. I mean, I don't know all the legal</p> <p>18 descriptions, but in general the idea was we would</p> <p>19 review all orders.</p> <p>20 BY MR. MOUGEY:</p> <p>21 Q. Okay. I'm going to have you go back to</p> <p>22 what I've already marked as Swords 11. Remember</p> <p>23 earlier when I kind of bounced in the wrong</p> <p>24 direction?</p>	<p style="text-align: right;">Page 308</p> <p>1 the system, then they --</p> <p>2 A. I wouldn't see them.</p> <p>3 Q. Then you wouldn't see them?</p> <p>4 A. Yeah.</p> <p>5 Q. So, sitting here today, are you aware of</p> <p>6 whether or not stores could remove themselves or</p> <p>7 stores -- let me do that again.</p> <p>8 Do you have an understanding of whether</p> <p>9 or not stores could be removed from the monitoring</p> <p>10 system at Walgreens?</p> <p>11 A. Not to my knowledge.</p> <p>12 Q. Okay. Let me hand you what -- are you</p> <p>13 aware that the order cutting flag could be turned</p> <p>14 off?</p> <p>15 A. That doesn't sound familiar to me.</p> <p>16 Q. That doesn't -- would that -- do you</p> <p>17 know whether or not the Walgreens system could turn</p> <p>18 the order cutting flag off where it just bypassed</p> <p>19 the suspicious order monitoring at Walgreens?</p> <p>20 A. I don't know that.</p> <p>21 Q. Okay. Now, Walgreens' suspicious order</p> <p>22 monitoring policies, did that -- that covered</p> <p>23 obviously orders from Walgreens as or sent to</p> <p>24 Walgreens as a distributor, correct?</p>
<p style="text-align: right;">Page 307</p> <p>1 A. Got it.</p> <p>2 Q. I apologize.</p> <p>3 A. Yes.</p> <p>4 MR. STOFFELMAYR: This is the estimate?</p> <p>5 BY MR. MOUGEY:</p> <p>6 Q. Yes, entitled "Project Request</p> <p>7 Estimate."</p> <p>8 The last paragraph underneath</p> <p>9 "Description."</p> <p>10 Do you see that?</p> <p>11 A. Yes.</p> <p>12 Q. "Rx Services will have the ability to</p> <p>13 remove items from the order limitation process or</p> <p>14 to remove an entire store from the order limit</p> <p>15 program for a limited amount of time."</p> <p>16 Do you see that?</p> <p>17 A. I do.</p> <p>18 Q. Do you believe -- let's do it this way.</p> <p>19 Do you believe that that or have an understanding</p> <p>20 that being able to remove an entire store from the</p> <p>21 order limit program would impact Pharmaceutical</p> <p>22 Integrity's ability to monitor suspicious orders?</p> <p>23 A. If the stores weren't reporting, yes.</p> <p>24 Q. Yes. Because if they were removed from</p>	<p style="text-align: right;">Page 309</p> <p>1 A. Yes.</p> <p>2 Q. Do you know if Pharmaceutical</p> <p>3 Integrity's suspicious order monitoring policies</p> <p>4 system also covered orders that were sent to other</p> <p>5 vendors?</p> <p>6 A. If they would have been in the data,</p> <p>7 then, yes, they would have. If the order request</p> <p>8 came through the data, then, yes, it would have --</p> <p>9 it would have followed that same process.</p> <p>10 Q. Okay. But the part I don't understand</p> <p>11 is if it was in the same data. So, if a -- let's</p> <p>12 go back to your override. Okay.</p> <p>13 Override was rejected, said no. Okay?</p> <p>14 A. Right.</p> <p>15 Q. Could the store then order from another</p> <p>16 vendor?</p> <p>17 A. Not to my knowledge.</p> <p>18 Q. Okay. Because that would be a pretty</p> <p>19 significant exception to the policies and</p> <p>20 procedures at Walgreens on identifying suspicious</p> <p>21 orders, right?</p> <p>22 A. Well, again --</p> <p>23 MR. STOFFELMAYR: Objection to the form. Go</p> <p>24 ahead.</p>



<p style="text-align: right;">Page 310</p> <p>1 BY THE WITNESS:</p> <p>2 A. Certainly the intent was to have all --</p> <p>3 all order data.</p> <p>4 BY MR. MOUGEY:</p> <p>5 Q. Because, I mean, if you went to the</p> <p>6 override form and they -- your group said no and</p> <p>7 the store could go around and order it from</p> <p>8 Cardinal, that kind of -- that is a loophole for</p> <p>9 the entire system, is it not?</p> <p>10 A. It is.</p> <p>11 MR. STOFFELMAYR: Objection.</p> <p>12 BY THE WITNESS:</p> <p>13 A. It would be.</p> <p>14 BY MR. MOUGEY:</p> <p>15 Q. So, let me hand you what I'm going to</p> <p>16 mark as Swords 13.</p> <p>17 (WHEREUPON, a certain document was</p> <p>18 marked as Walgreens-Swords Exhibit</p> <p>19 No. 13: 9/23/11 Project: DEA</p> <p>20 Suspicious Order - Phase III;</p> <p>21 WAGMDL00492378 - 00492380.)</p> <p>22 BY MR. MOUGEY:</p> <p>23 Q. Purports to be a memorandum from</p> <p>24 Walgreens, Bates No. 492378, "DEA Suspicious Order</p>	<p style="text-align: right;">Page 312</p> <p>1 Q. But you're referencing supply issues,</p> <p>2 correct? If there wasn't that C-II in the</p> <p>3 distribution center, correct?</p> <p>4 A. Correct.</p> <p>5 Q. I think what I'm asking is a little</p> <p>6 different, and I apologize if I don't understand.</p> <p>7 But DEA limitations is the suspicious</p> <p>8 order monitoring phase 3, correct?</p> <p>9 A. Correct.</p> <p>10 Q. And only DC, distribution center, and</p> <p>11 PDQ?</p> <p>12 A. Correct.</p> <p>13 Q. Are going through Walgreens' suspicious</p> <p>14 order monitoring policy system?</p> <p>15 A. Correct.</p> <p>16 Q. At this point in time, September 2011, a</p> <p>17 store could have its request for an override turned</p> <p>18 down and then order from another vendor, correct?</p> <p>19 A. Not to my knowledge.</p> <p>20 Q. All right. I hand you what I've marked</p> <p>21 as Swords 14, which is Bates No. 492375. It's</p> <p>22 P-WAG-1763.</p> <p>23 (WHEREUPON, a certain document was</p> <p>24 marked as Walgreens-Swords Exhibit</p>
<p style="text-align: right;">Page 311</p> <p>1 - Phase III, September 23, 2011."</p> <p>2 Do you see that?</p> <p>3 A. I do.</p> <p>4 Q. Go down to No. 6.</p> <p>5 A. Okay.</p> <p>6 Q. "Only DC," and that's distribution</p> <p>7 center, right?</p> <p>8 A. Correct.</p> <p>9 Q. "Only DC auto ordering and PDQ ordering</p> <p>10 is going through DEA limitations."</p> <p>11 And the answer is, "Yes." Correct?</p> <p>12 A. That's what it says, yes.</p> <p>13 Q. All right. Does that -- DC auto</p> <p>14 ordering and PDQ does not include an order going to</p> <p>15 another vendor, correct?</p> <p>16 A. Well, the way the ordering system works</p> <p>17 at Walgreens is we have one order source. So, what</p> <p>18 would happen is a store would order a C-II order,</p> <p>19 it would go to our distribution center, Jupiter,</p> <p>20 Woodland, Perrysburg.</p> <p>21 If those orders can't be fulfilled at</p> <p>22 that center, they would route that order to our</p> <p>23 wholesaler back up, Cardinal in this particular</p> <p>24 instance.</p>	<p style="text-align: right;">Page 313</p> <p>1 No. 14: 11/9/11 Project: DEA</p> <p>2 Suspicious Order - Phase III;</p> <p>3 WAGMDL00492375 - 00492376.)</p> <p>4 BY MR. MOUGEY:</p> <p>5 Q. "Project: DEA Suspicious Order - Phase</p> <p>6 III, November 9, 2011."</p> <p>7 Do you see that, sir?</p> <p>8 A. I do.</p> <p>9 Q. No. 1, "If DEA reduced item," and that's</p> <p>10 what we just went over. That's the suspicious</p> <p>11 order monitoring policy of Walgreens, correct?</p> <p>12 A. I don't know what this is referring to.</p> <p>13 "DEA reduced item." I'm not sure what that</p> <p>14 terminology means.</p> <p>15 Q. The last -- the memo we just looked at</p> <p>16 is "DEA limitations" and this one is "DEA reduced</p> <p>17 item."</p> <p>18 Do you see that?</p> <p>19 A. I see the one that -- yeah. "DEA</p> <p>20 limitations," yes.</p> <p>21 Q. "If the DEA reduced item is manually</p> <p>22 ordered from Cardinal within the next 92 hours,</p> <p>23 what kind of action to take place?"</p> <p>24 The order was reduced. Then it's</p>

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1 manually entered into Cardinal, which is another  
 2 vendor, correct?  
 3 A. It is another vendor, yes.  
 4 Q. And actually Walgreens was one of  
 5 Cardinal's largest customers nationwide, correct?  
 6 A. Well, that would be true of anybody we  
 7 do business with.  
 8 Q. Yes, sir. Because of the amount of  
 9 controlled substances and prescriptions that are  
 10 put into the stream of commerce from Walgreens,  
 11 correct?  
 12 A. Because we are a large pharmacy  
 13 retailer, yes.  
 14 Q. Yes, sir. With six people in  
 15 Pharmaceutical Integrity as of 2012, right?  
 16 A. And robust systems, yes.  
 17 Q. Yes, sir. So, one of those robust  
 18 systems, "If the DEA reduced item is manually  
 19 ordered by Cardinal from the store within the next  
 20 92 hours, what kind of action is to take place?"  
 21 "It shows user on the report or on the  
 22 ADR4 outline screens."  
 23 Do you see that?  
 24 "Online screens."

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1 Do you see that, sir?  
 2 A. I see what it says, yes.  
 3 Q. It says, "Resolved. Let system order  
 4 the item but show the user on the report."  
 5 Correct?  
 6 A. That's what it says, yes.  
 7 Q. So, Walgreens system as of November of  
 8 2011 would allow a store whose order had been  
 9 reduced to manually order the item from another  
 10 vendor?  
 11 A. I don't have any knowledge about this.  
 12 I don't know. I don't know what the reference to  
 13 this is. I don't know -- first time I have seen  
 14 it.  
 15 I don't have any idea what Rakesh, I  
 16 guess is who the programmer that was doing this,  
 17 what they're referencing.  
 18 Q. And that was an important --  
 19 A. I can --  
 20 Q. You took over a few months after this,  
 21 several months after this, correct?  
 22 A. 2012, something in there, a year later.  
 23 Q. Which is another couple months after  
 24 November 9, 2011, correct?

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1 A. I think it was late '12, but okay.  
 2 Q. You think it was late '12?  
 3 A. Yeah.  
 4 Q. Although we looked at an e-mail earlier  
 5 today that identified you and Mr. Lovejoy as the  
 6 head, whatever date that was, right?  
 7 A. As part of a committee, yes.  
 8 Q. No. As head of the Pharmaceutical  
 9 Integrity group.  
 10 A. Like I've stated many times today, I  
 11 don't have all the dates of when everything was.  
 12 You know, what I know here is this is  
 13 November 2011, this document.  
 14 Q. A matter of months before you took over,  
 15 right?  
 16 A. I don't know.  
 17 Q. And you don't have any idea when you  
 18 took over of whether or not the system allowed an  
 19 order that had been reduced to be manually entered  
 20 to Cardinal and filled from another vendor,  
 21 correct?  
 22 A. I --  
 23 MR. STOFFELMAYR: Objection to the form.  
 24 Go ahead. Sorry.

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1 BY THE WITNESS:  
 2 A. I have no knowledge of that.  
 3 BY MR. MOUGEY:  
 4 Q. Under 3, "Do we need Central store  
 5 system based functionality to maintain and control  
 6 store to go through the DEA limitations?"  
 7 Do you see that?  
 8 A. I do.  
 9 Q. Do you have any understanding of whether  
 10 or not a store could remove itself as of late 2011  
 11 from the DEA functionality?  
 12 A. I don't.  
 13 Q. And underneath -- you know who  
 14 Barb Martin is, correct?  
 15 A. I know who she is, yes.  
 16 Q. What is Barb Martin's role?  
 17 A. She is in pharmaceutical purchasing.  
 18 Q. Yes, sir. Is she an important part of  
 19 suspicious order monitoring policy?  
 20 A. Not to my knowledge.  
 21 Q. No. Do you have any understanding of  
 22 whether or not she had an important role with  
 23 performing due diligence on suspicious order  
 24 monitors?

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<p>1 A. Not that I'm aware of.</p> <p>2 Q. Never have heard her in the context of</p> <p>3 performing due diligence on orders that were</p> <p>4 flagged at Walgreens?</p> <p>5 A. I haven't, no.</p> <p>6 Q. Would you expect in your meetings that</p> <p>7 if somebody was performing due diligence on</p> <p>8 suspicious orders that you would know what</p> <p>9 department they were in?</p> <p>10 A. I know what department Barb --</p> <p>11 Q. What department do you think was</p> <p>12 performing due diligence on the outliers or</p> <p>13 suspicious orders?</p> <p>14 A. Pharmaceutical Integrity.</p> <p>15 Q. Nobody outside of Pharmaceutical</p> <p>16 Integrity?</p> <p>17 A. Not to my knowledge.</p> <p>18 Q. Okay. You would think you would know</p> <p>19 that, though, if that was happening outside of</p> <p>20 Pharmaceutical Integrity, correct?</p> <p>21 A. Yeah.</p> <p>22 Q. Okay. So, "As per Barb Martin, this is</p> <p>23 needed along with the free format text to add notes</p> <p>24 or comments indicating the reason why the store was</p>	<p>1 No. 15: 10/1/12 e-mail string;</p> <p>2 WAGMDL00705318 - 00705320.)</p> <p>3 THE VIDEOGRAPHER: We are back on the record</p> <p>4 at 2:27 p.m.</p> <p>5 BY MR. MOUGEY:</p> <p>6 Q. Mr. Swords, I've just handed you what we</p> <p>7 marked as Swords 15, Bates No. 705318. It's an</p> <p>8 e-mail, October 1, 2012, from yourself to your</p> <p>9 boss, David Lovejoy, and Kermit Crawford. Those</p> <p>10 are about as senior as you get in your group,</p> <p>11 right?</p> <p>12 A. Correct.</p> <p>13 Q. And the e-mail is discussing oxycodone</p> <p>14 and PDQ, right?</p> <p>15 A. Correct.</p> <p>16 Q. PDQ is an acronym?</p> <p>17 A. Yes.</p> <p>18 Q. Pretty damn quick?</p> <p>19 A. Something like that, yeah.</p> <p>20 Q. Pretty damn quick, something along those</p> <p>21 lines?</p> <p>22 MR. STOFFELMAYR: Depends who you are talking</p> <p>23 to.</p> <p>24 BY MR. MOUGEY:</p>
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<p>1 turned off from the DEA."</p> <p>2 Do you see that?</p> <p>3 A. I do.</p> <p>4 Q. Did you direct anybody in Pharmaceutical</p> <p>5 Integrity when it started to make sure that</p> <p>6 specific stores couldn't be turned off from the</p> <p>7 DEA?</p> <p>8 A. Not that I recall.</p> <p>9 Q. Do you recall even that stores could be</p> <p>10 turned off from the DEA?</p> <p>11 A. I have no knowledge that stores could be</p> <p>12 turned off from anything.</p> <p>13 Q. I hand you what I'm going to mark as</p> <p>14 Swords Exhibit 15.</p> <p>15 A. Can we get to a point where we can have</p> <p>16 a break in a minute?</p> <p>17 Q. Yeah, we can take one now if you like.</p> <p>18 A. Whatever is convenient for you.</p> <p>19 THE VIDEOGRAPHER: We are off the record at</p> <p>20 2:14 p.m.</p> <p>21 (WHEREUPON, a recess was had</p> <p>22 from 2:14 to 2:27 p.m.)</p> <p>23 (WHEREUPON, a certain document was</p> <p>24 marked Walgreens-Swords Exhibit</p>	<p>1 Q. And there were some concerns with</p> <p>2 oxycodone being ordered PDQ, correct?</p> <p>3 A. Correct.</p> <p>4 Q. And October 2012, you had now been or</p> <p>5 were in charge of Pharmaceutical Integrity as of</p> <p>6 this time, correct?</p> <p>7 A. Correct.</p> <p>8 Q. And you identified a pretty significant</p> <p>9 hole in the system of Walgreens in regard -- in</p> <p>10 relation to PDQ orders, right?</p> <p>11 A. Yes.</p> <p>12 Q. That's when a pharmacist needed an order</p> <p>13 pretty -- pretty darn quick and could enter it into</p> <p>14 the DC, correct?</p> <p>15 A. Correct.</p> <p>16 Q. And you laid out that hole, I think you</p> <p>17 referred to it earlier as a gap, in Walgreens'</p> <p>18 system when you took over, correct?</p> <p>19 A. Correct.</p> <p>20 MR. STOFFELMAYR: Objection to the form.</p> <p>21 Give me a second.</p> <p>22 THE WITNESS: I'm sorry.</p> <p>23 BY MR. MOUGEY:</p> <p>24 Q. And as you pointed out to your bosses,</p>

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1 "PDQ orders did not aggregate to the monthly  
2 cumulative limits although line limits are still  
3 imposed on the individual order. Therefore,  
4 without this edit, stores could order PDQ every day  
5 for Oxy and as long as they didn't trip the line  
6 limit" -- "line order limit edit, they would  
7 receive the product and end up exceeding our  
8 monthly cumulative totals."  
9 Correct?  
10 A. That's what it says, yes.  
11 Q. Suffice it to say that if a store went  
12 in and ordered Oxy on a daily limit, as long as it  
13 didn't exceed that daily line limit, its cumulative  
14 orders through the month could surpass the ceiling,  
15 correct?  
16 A. Correct.  
17 Q. That was one of the gaps you mentioned  
18 earlier in Walgreens' system for Oxy, correct?  
19 A. Yes.  
20 Q. You go on to relay, "As Dave mentions,  
21 stores still have access to product if needed  
22 outside their normal order process using the  
23 controlled substance override," which is what your  
24 point is, it has to go through Pharmaceutical

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1 Integrity, correct?  
2 A. Correct.  
3 Q. And this was a significant gap in  
4 Walgreens' system that your group identified and  
5 attempted to close shortly after you took over,  
6 correct, sir?  
7 MR. STOFFELMAYR: Objection to the form. Go  
8 ahead.  
9 BY THE WITNESS:  
10 A. It was certainly a gap, yes.  
11 BY MR. MOUGEY:  
12 Q. And shortly after you took over, with  
13 Walgreens' team that they have put on, the six  
14 people, you all identified the gap and attempted to  
15 close it with the override form, correct, sir?  
16 A. Well, not close it with the override  
17 form. Close it through the application to not  
18 allow that to occur. The override form was already  
19 in place.  
20 Q. Fair enough. The PDQ gap was closed.  
21 How is that?  
22 A. Correct.  
23 Q. Okay. I'm going to hand you what I've  
24 marked as Exhibit 16, which is P-WAG-5140, and --

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1 I'm sorry. P-WAG-1990. Bates No. 308497, an  
2 e-mail from Ms. Polster dated 12/28/2012.  
3 (WHEREUPON, a certain document was  
4 marked as Walgreens-Swords Exhibit  
5 No. 16: 12/28/12 e-mail string;  
6 WAGMDL00308497 - 00308498.)  
7 BY MR. MOUGEY:  
8 Q. You're familiar with the concept of  
9 interstoring, correct, sir?  
10 A. Yes.  
11 Q. Interstoring was another gap in  
12 Walgreens' process when you took over, correct,  
13 sir?  
14 A. Yes.  
15 Q. And an interstore would be that one  
16 Walgreens could order or secure a controlled  
17 substance from another Walgreens store, correct?  
18 A. Interstore allowed you to move  
19 pharmaceutical product as well as other retail  
20 product from store to store and transfer the cost  
21 and inventory and those type of things, yes.  
22 Not --  
23 Q. So 12 --  
24 A. Not with controlled Schedule II drugs,

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1 though.  
2 Q. But with Schedule III?  
3 A. Only through certain circumstances could  
4 you -- Schedule III actually required a higher  
5 level of approval to interstore. Any scheduled  
6 drug required pharmacy supervisor sign-off or  
7 signature on.  
8 Q. Before Pharmaceutical Integrity?  
9 A. Yes.  
10 Q. There was another gap in Walgreens'  
11 system and that was interstoring, correct, sir?  
12 A. I --  
13 MR. STOFFELMAYR: Objection to the form. Go  
14 ahead.  
15 THE WITNESS: I'm sorry.  
16 BY THE WITNESS:  
17 A. I wouldn't clarify -- I wouldn't call it  
18 a gap. There was a -- there was a process that  
19 stores could interstore. We didn't want them to be  
20 able to interstore controlled substances because we  
21 were seeking to have more information, more control  
22 over that process.  
23 BY MR. MOUGEY:  
24 Q. And run it all through Pharmaceutical

<p style="text-align: right;">Page 326</p> <p>1 Integrity so they could be approved, correct?</p> <p>2 A. Correct.</p> <p>3 Q. And, so, by -- before Pharmaceutical</p> <p>4 Integrity there were not as robust processes and</p> <p>5 procedures in place for interstoring, correct?</p> <p>6 A. That's not how I would characterize it.</p> <p>7 Interstoring process didn't change outside</p> <p>8 Pharmaceutical Integrity. What we do is remove the</p> <p>9 ability to move controlled substances through the</p> <p>10 interstore process.</p> <p>11 Q. Yes, sir. You removed the ability to</p> <p>12 interstore controlled substances in between</p> <p>13 Walgreens stores, correct?</p> <p>14 A. That's correct.</p> <p>15 Q. And prior to Pharmaceutical Integrity,</p> <p>16 stores had the ability to move controlled</p> <p>17 substances store to store, correct?</p> <p>18 A. With the parameters I described as</p> <p>19 requiring a second signature authority from a</p> <p>20 pharmacy supervisor over that area.</p> <p>21 Q. Yes, sir. And if you would, sir, please</p> <p>22 go to Exhibit P-WAG-5140, Bates No. 77015. I'm</p> <p>23 going to mark as Swords 17 a document dated</p> <p>24 7/2/2012.</p>	<p style="text-align: right;">Page 328</p> <p>1 THE WITNESS: Yeah, mine does.</p> <p>2 MR. STOFFELMAYR: There is some confusion.</p> <p>3 THE WITNESS: This is 77016.</p> <p>4 MR. STOFFELMAYR: My 77016 is different than</p> <p>5 your 77016. They both look different from the --</p> <p>6 THE WITNESS: They are all numbered that.</p> <p>7 MR. STOFFELMAYR: Oh.</p> <p>8 THE WITNESS: That's the problem.</p> <p>9 MR. STOFFELMAYR: It's the first page.</p> <p>10 MR. MOUGEY: Oh, because it's in native</p> <p>11 format. I'm sorry. Meaning it's the PowerPoint.</p> <p>12 BY MR. MOUGEY:</p> <p>13 Q. Turn to the third page in. It's titled</p> <p>14 "Ongoing Controlled Drug Order Review Logic."</p> <p>15 A. Okay. All right.</p> <p>16 Q. Okay? What I want to direct your</p> <p>17 attention on the left-hand side of the table or box</p> <p>18 is the word "Phase."</p> <p>19 Do you see that?</p> <p>20 A. I do.</p> <p>21 Q. And then below that there is dates, and</p> <p>22 it begins with August of '09 to September of '10.</p> <p>23 Do you see that, sir?</p> <p>24 A. I do.</p>
<p style="text-align: right;">Page 327</p> <p>1 (WHEREUPON, a certain document was</p> <p>2 marked as Walgreens-Swords Exhibit</p> <p>3 No. 17: 7/2/12 e-mail with</p> <p>4 attachment; WAGMDL00077015 -</p> <p>5 00077016.)</p> <p>6 BY MR. MOUGEY:</p> <p>7 Q. Although you're not -- don't have an</p> <p>8 exact date when you started, you don't have any</p> <p>9 reason to quibble with by July of 2012 you were</p> <p>10 involved in Pharmaceutical Integrity and suspicious</p> <p>11 order monitoring, right?</p> <p>12 A. Again, I don't know the specific dates,</p> <p>13 but it's possible that that -- I was there at that</p> <p>14 time. I just don't know the exact date.</p> <p>15 Q. Attached to this e-mail is a PowerPoint,</p> <p>16 sir.</p> <p>17 A. Okay.</p> <p>18 Q. I'd like you to turn to Bates No. 77016.</p> <p>19 A. Okay.</p> <p>20 Q. "Ongoing Controlled Drug Review Logic."</p> <p>21 A. 716?</p> <p>22 Q. I'm sorry. 77016.</p> <p>23 A. Okay.</p> <p>24 MR. STOFFELMAYR: Mine looks different.</p>	<p style="text-align: right;">Page 329</p> <p>1 Q. And during that time frame Walgreens,</p> <p>2 which is W-A-G, right, WAG?</p> <p>3 A. Yes.</p> <p>4 Q. "Reviews WAG DC orders only." Do you</p> <p>5 see that?</p> <p>6 A. Yes.</p> <p>7 Q. All right. So, were you aware from</p> <p>8 August of '09 to September of '10 that Walgreens'</p> <p>9 suspicious order monitoring system only reviewed</p> <p>10 Walgreens' distribution centers?</p> <p>11 A. Well, all orders came via that process.</p> <p>12 There is no way for the store to go directly to the</p> <p>13 wholesaler. They don't have 222s at their store to</p> <p>14 go anywhere but WAG DCs.</p> <p>15 Q. Yes, sir, but what I'm asking you is</p> <p>16 outside of the WAG suspicious order monitoring</p> <p>17 process. Okay.</p> <p>18 So, you see the title of the chart,</p> <p>19 "Ongoing Controlled Drug Order Review Logic,"</p> <p>20 correct?</p> <p>21 A. Yes.</p> <p>22 Q. And right below that, "Review all</p> <p>23 controlled drug and PSE orders, flag select orders</p> <p>24 as suspicious, reduce order quantity for subset of</p>



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1 flagged orders."  
2 Do you see that, sir?  
3 A. I do.  
4 Q. And that that process only reviews WAG  
5 DC orders, do you see that below?  
6 A. Yes, that's what it says.  
7 Q. And "Key Points," "No order reductions  
8 in phase 1" off to the right.  
9 Do you see that?  
10 A. I do.  
11 Q. No. 2, 9/10 to current, which it's now,  
12 as of the date of this e-mail that transmitted the  
13 PowerPoint, July of 2012, that the system still  
14 only reviewed WAG DC orders. Do you see that?  
15 A. I do.  
16 Q. Off to the right, "Key Points,"  
17 "Reductions begin in phase 2."  
18 That's the process you mentioned earlier  
19 that the outliers are identified and reduced.  
20 Do you see that?  
21 A. I do.  
22 Q. And that didn't begin until September of  
23 '10 and only applies to WAG DC orders.  
24 Do you see that?

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1 A. That's what it says, yes.  
2 Q. Under 3, estimated 6/10 to 7/12,  
3 "Reviews WAG DC orders plus checks to see if no  
4 vendor order placed within 48 hours for same drug."  
5 Do you see that, sir?  
6 A. I do.  
7 Q. So, if an order was entered by a  
8 pharmacist that was routed to an outside vendor,  
9 WAG DC orders plus checks to see if vendor order  
10 placed within 48 hours for same drug, correct?  
11 A. That's what it says, yes.  
12 Q. So, a vendor order -- so, go back to the  
13 override form -- I'm sorry.  
14 If the override was denied, a store  
15 could order from -- through an outside vendor?  
16 A. That's not my understanding.  
17 Q. Let me do it another way because I think  
18 what you're -- you and I are talking past each  
19 other where you're saying that they couldn't order  
20 directly from the vendor. Correct?  
21 A. That's correct.  
22 Q. Okay. What I'm suggesting, and maybe  
23 inartfully, is that the store could order from a  
24 vendor outside of Walgreens' suspicious order

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1 monitoring system. Okay?  
2 A. I don't know how that process could have  
3 taken place but...  
4 Q. Because that would be a problem?  
5 A. That would be a gap, yes.  
6 Q. Under 4, July 12, about the time when  
7 Pharmaceutical Integrity is in play, correct?  
8 A. Something around there, yeah.  
9 Q. "Reviews WAG DC orders plus applies same  
10 logic to vendor orders making them eligible for  
11 flagging and order reduction."  
12 Do you see that?  
13 A. I do.  
14 Q. That appears from that entry, July of  
15 '12, that the suspicious order monitoring policy  
16 was just implemented for vendor orders, correct?  
17 A. Well, I believe what the document is  
18 stating is at this time period we may have  
19 transitioned one DC over to Cardinal for supply and  
20 so what we are saying here is we'll apply the same  
21 logic to vendor orders going to Cardinal. Part of  
22 the other chain is still getting fulfillment  
23 through our DC centers.  
24 Q. Sir, your stores at Walgreens were being

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1 supplied in a backstop role from Cardinal and  
2 Amerisource and ANDA for years prior to Walgreens  
3 getting out of the distribution business, correct?  
4 A. That's correct.  
5 Q. Okay.  
6 A. And the order process for those drugs  
7 would be I submit my order. That goes to our DC.  
8 If our DC cannot fulfill that order, they're the  
9 ones that get to route it to ANDA, Cardinal,  
10 et cetera. Not the store.  
11 Q. So, the logic, sir, if it gets rerouted  
12 to another store, Walgreens' suspicious order  
13 monitoring -- I'm sorry. Let me do that again.  
14 If the order is rerouted to a vendor  
15 outside of Walgreens, that order is not reviewed up  
16 until July of 2012 by Walgreens' suspicious order  
17 monitoring process, correct?  
18 A. I don't -- I don't have knowledge about  
19 that.  
20 Q. You don't know.  
21 4. Go across the page under --  
22 A. You're on a different page?  
23 Q. I'm sorry. No. 4. Same page. Same  
24 page.

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1 A. Okay.

2 Q. 4. Under "Key Points." Fourth text box

3 down on the right. "Both WAG DC and vendor orders

4 reduced if thresholds exceeded."

5 Do you see that?

6 A. I do.

7 Q. And you see in the entries above that

8 that only WAG DC orders were reduced if thresholds

9 were increased, correct?

10 A. Correct.

11 Q. But you have no idea sitting here today

12 whether or not stores were allowed to enter orders

13 to outside vendors if their orders had been

14 decreased?

15 A. Not to my knowledge.

16 Q. What do you know about 340B?

17 A. General concept. I know.

18 Q. What's your understanding of the general

19 concept of 340B?

20 A. It's a government-sponsored program that

21 takes care of low income, indigent folks. Clinics,

22 hospitals apply for 340B status and Walgreens

23 participates by fulfilling 340B prescriptions.

24 Q. Okay. And were the mail service centers

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1 that you were responsible for, did they fill 340B

2 prescriptions?

3 A. No, they did not.

4 Q. All right. So these were filled at the

5 individual store level?

6 A. That's correct.

7 Q. Do you have any idea or feel for how

8 large percentage-wise of Walgreens operations 340B

9 were?

10 A. I don't.

11 Q. Do you have an understanding of whether

12 or not 340B's were subject to Walgreens' suspicious

13 order monitoring policies and procedures?

14 A. I believe there was early on they

15 weren't and we made -- we took steps through

16 Pharmaceutical Integrity, we took steps later on to

17 incorporate that.

18 340B is kind of a funny program the way

19 it works. It's a replenishment model and so it's a

20 little different on how you receive medications for

21 it.

22 Q. So, up -- do you have an understanding

23 or an idea of when that gap was closed, meaning the

24 340B orders for Schedule II and Schedule III

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1 opiates went through the suspicious order

2 monitoring policies and procedures?

3 A. I recall it was later in the process. I

4 don't know the specific times, but it would have

5 been -- it would have been later in that -- later

6 in the life span, so to speak, of Pharmaceutical

7 Integrity.

8 Q. I hand you what I'm going to mark as

9 Swords 18 dated July 18, 2016.

10 (WHEREUPON, a certain document was

11 marked as Walgreens-Swords Exhibit

12 No. 18: 7/8/16 e-mail string;

13 WAGMDL00129607 - 00129610.)

14 BY MR. MOUGEY:

15 Q. Do you recognize the folks in the top of

16 that e-mail?

17 A. No, I don't.

18 Q. It says, "We verified that ceiling and

19 tolerance limit is not checked for 340B items at

20 the store. Please let us know if any other

21 information related would be required from our

22 end."

23 Do you see that?

24 A. I do.

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1 Q. So, does this refresh your recollection

2 in any way about the timing of when the 340B gap

3 was closed?

4 A. Well, as I said, it was later in the

5 process of Pharmaceutical Integrity. This may be,

6 you know, around that time, '16.

7 Q. Okay.

8 A. I'm not sure of the penetration of 340B

9 on Schedule II or controls. They work off of

10 formulary. I don't know what that formulary is.

11 Q. I hand you what we will mark as Swords

12 19.

13 (WHEREUPON, a certain document was

14 marked as Walgreens-Swords Exhibit

15 No. 19: 12/3/16 e-mail with

16 attachment; WAGMDL00129005 -

17 00129007.)

18 BY MR. MOUGEY:

19 Q. Dated 12/13/2016. And the form

20 transmitted in this e-mail, do you recognize this

21 type of format as a kind of a work flow control

22 mechanism within Walgreens?

23 A. I believe they actually call it a Demand

24 Management IT request form.

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1 Q. Okay. So, it's a way to manage projects  
2 and keep track?  
3 A. Yeah.  
4 Q. Okay. Dated 12/13/2016. Look below  
5 under the "Meeting Notes."  
6 A. Um-hmm.  
7 Q. The end of '16 being discussed is 340B  
8 system. "Add 340B orders into suspicious order  
9 monitoring tool."  
10 Do you see that, sir?  
11 A. I do.  
12 Q. Sir, I think you're not kind of  
13 quibbling at me that at least until late 2016,  
14 340Bs also were not captured in Walgreens'  
15 suspicious order monitoring policy?  
16 A. Correct. Yeah, I mean, I don't know the  
17 particular time frame. This sounds about right.  
18 Q. And this is about the end of your tenure  
19 in Pharmaceutical Integrity?  
20 A. Correct.  
21 Q. Overseeing it, correct?  
22 A. Correct.  
23 Q. I'm going to test your eyesight here.  
24 Printed it about as big as I could. I hand you

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1 what I have marked as Swords 20.  
2 (WHEREUPON, a certain document was  
3 marked as Walgreens-Swords Exhibit  
4 No. 20: Spreadsheet;  
5 WAGMDL00400358.)  
6 BY MR. MOUGEY:  
7 Q. I think we can read this. This is a  
8 document that we received from Walgreens as part of  
9 the discovery process. Okay?  
10 A. Okay.  
11 Q. And I believe that this is an export out  
12 of Walgreens' databases of the override process. I  
13 would like for you to help me figure out what  
14 exactly this is.  
15 A. I'll do my best.  
16 Q. Let's just kind of walk through this  
17 spreadsheet and help me figure out what some of  
18 these fields are. Okay?  
19 So, "Request ID" on the left-hand side  
20 is obviously some sort of a tracking mechanism for  
21 a specific request, correct?  
22 A. Correct, yes.  
23 Q. A store comes in, asks for an override,  
24 it's assigned a specific request ID number, right?

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1 A. Yes, that's what it appears.  
2 Q. The next is a "Request Date." Do you  
3 see that?  
4 A. I do.  
5 Q. And that request date appears to be the  
6 date that the request came in. The one that we  
7 have here is 9/20/13.  
8 Do you see that?  
9 A. I do.  
10 Q. I want you to help me. Go all the way  
11 over to column R.  
12 A. Column R. Okay.  
13 Q. Do you see the request date is 9/20 on  
14 this first one, 8:26 a.m., correct?  
15 A. Yes.  
16 Q. And then the "Request Status Date/Time,"  
17 9/20/13, 12:54, correct?  
18 A. Yes.  
19 Q. So, what is that, approximately --  
20 A. Four hours.  
21 Q. -- four and a half, four hours  
22 afterwards. Okay.  
23 And, so, let's go back to -- do you have  
24 an understanding of whether the "Request Status

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1 Date/Time," that was when it was either approved or  
2 disapproved?  
3 A. I believe that's the time it was  
4 approved.  
5 Q. Okay. And then the store number, every  
6 Walgreens has a store number, correct?  
7 A. Correct.  
8 Q. And that we can track and identify  
9 which -- where these stores belong based on that  
10 store number?  
11 A. Correct.  
12 Q. In the address, so to speak?  
13 A. Correct.  
14 Q. But internally this is Walgreens' way of  
15 identifying each and every store?  
16 A. That's correct.  
17 Q. Okay. And then the next number, the WIC  
18 number, W-I-C?  
19 A. Yes.  
20 Q. I don't know what that stands for. What  
21 is that?  
22 A. It's a Walgreen order number. It's an  
23 item order number for internal ordering system.  
24 Q. "NDC Code" is obviously the DEA NDC

<p style="text-align: right;">Page 342</p> <p>1 drug?</p> <p>2 A. National Drug Code.</p> <p>3 Q. National Drug Code identifying specific</p> <p>4 information about the controlled substance,</p> <p>5 correct?</p> <p>6 A. Well, it identifies specific information</p> <p>7 about the product.</p> <p>8 Q. The product. And in this case in the</p> <p>9 override form that we are looking at would be</p> <p>10 Schedule II or Schedule III, right?</p> <p>11 A. Well, the NDC refers to the manufacturer</p> <p>12 and the product. So, it would be whoever the</p> <p>13 product manufacturer in this example is for</p> <p>14 oxycodone APAP 525.</p> <p>15 Q. Right.</p> <p>16 A. I don't know who it is. That's who it</p> <p>17 would have been.</p> <p>18 Q. The "UPC Code" is?</p> <p>19 A. That's a little different. That's</p> <p>20 actually the bar code. Information on the bottle</p> <p>21 itself, not necessarily the NDC number as well.</p> <p>22 Q. And then the "PLN Number"?</p> <p>23 A. That's an internal number used for</p> <p>24 grouping particular categories together. I never</p>	<p style="text-align: right;">Page 344</p> <p>1 codes are?</p> <p>2 A. Well, Tasha's team could certainly tell</p> <p>3 you what the reason codes are.</p> <p>4 Q. Are they written somewhere?</p> <p>5 A. It's probably part of the system. So,</p> <p>6 they have a drop-down. They'd select a reason</p> <p>7 code. Whatever I select corresponds to a No. 2 is</p> <p>8 out of stock. No. 3 is whatever. Right.</p> <p>9 Q. So, if I go to the very far U -- just</p> <p>10 bear with me and let your eye go down that line all</p> <p>11 the way down to U. Was it U? Yes. U. All the</p> <p>12 way down the right-hand column.</p> <p>13 Do you see how it -- there is almost</p> <p>14 like a line with the explanations?</p> <p>15 A. Yes.</p> <p>16 Q. And they all end in, not all, but a lot</p> <p>17 of them, "Override approved. Your order was sent</p> <p>18 directly to your DC"?</p> <p>19 A. Yes.</p> <p>20 Q. Now, does that -- does U correlate with</p> <p>21 the "Request Reason Code"?</p> <p>22 A. Yes. I believe it does.</p> <p>23 Q. I could kind of match up if I went</p> <p>24 through here and matched them up, whatever is</p>
<p style="text-align: right;">Page 343</p> <p>1 use it. I don't know what actually -- it's got</p> <p>2 some function. I don't know what it is.</p> <p>3 Q. We can see in column H the actual drug</p> <p>4 name?</p> <p>5 A. Yes.</p> <p>6 Q. Whether it's a combination drug,</p> <p>7 whenever it is, is listed in column H; and we can</p> <p>8 see for those few entries are all oxycodone,</p> <p>9 correct?</p> <p>10 A. Correct.</p> <p>11 Q. And then the "Requested Quantity" is 3</p> <p>12 and the "Request Reason Code" is 2?</p> <p>13 A. Correct.</p> <p>14 Q. Tell me what the requested -- what's the</p> <p>15 quantity refer to?</p> <p>16 A. The number of units of stock units being</p> <p>17 requested.</p> <p>18 Q. All right. So, and that obviously</p> <p>19 correlates with the NDC code, correct?</p> <p>20 A. Correct.</p> <p>21 Q. And then the request reason code. Where</p> <p>22 can I -- what are the reason codes? That's a bad</p> <p>23 question.</p> <p>24 Where can I find out what the reason</p>	<p style="text-align: right;">Page 345</p> <p>1 entered maybe would have a drop-down menu so you</p> <p>2 would click and then it would populate in U?</p> <p>3 A. I don't know. That's possible, but I</p> <p>4 don't know for sure.</p> <p>5 Q. Very unlikely that whoever is from</p> <p>6 Pharmaceutical Integrity is typing in the same</p> <p>7 notes in U over and over and over again?</p> <p>8 A. Well, I mean, even if you just use the</p> <p>9 first two, you can kind of say that logic doesn't</p> <p>10 work, right, because the reason request is 2 and 2</p> <p>11 and you have got two different order statuses over</p> <p>12 here. So, they don't correspond.</p> <p>13 Q. How do you think U is populated?</p> <p>14 A. I think that's a text or free form that</p> <p>15 the individual under column S is entering.</p> <p>16 Q. All right. So, the information that's</p> <p>17 in both J under "Request Reason Code" and U is what</p> <p>18 would give Pharmaceutical Integrity information if</p> <p>19 you were looking back about why the override was</p> <p>20 approved or disapproved, correct?</p> <p>21 A. That's my understanding.</p> <p>22 Q. And this -- the information put into</p> <p>23 these has to be -- it's important, is it not?</p> <p>24 A. It certainly serves a purpose, yes.</p>

<p style="text-align: right;">Page 346</p> <p>1 Q. More than serves a purpose. I mean, the  2 override form is can this store exceed the ceiling  3 limits that we've placed on it and that's -- this  4 is a representation of Walgreens Pharmaceutical  5 Integrity talking to the store, correct?  6 A. As well as their supervisor.  7 Q. Yes, sir.  8 A. That's why you have column Q with the  9 sort of the request description, right? The stores  10 don't necessarily get to request directly. It's  11 the supervisor of that store that has to initiate  12 the request.  13 Q. All right. So, maybe J and K match up.  14 So, J and K correlate. So, and I missed that  15 earlier.  16 Request reason code 22, emergency  17 situation, emergency situation, right?  18 A. That could be.  19 Q. So, emergency situation, and that could  20 be just about anything I would think, right? That  21 doesn't really give you a lot of information,  22 emergency situation, does it?  23 A. I'm sure it's a drop-down selection they  24 have.</p>	<p style="text-align: right;">Page 348</p> <p>1 A. Correct.  2 Q. What's that mean?  3 A. That would be their schedule.  4 Q. Okay. P, "Request Status Code."  5 A. I don't know. My -- I don't want to  6 guess. I don't know what it means.  7 Q. Okay. And then "Request Status  8 Description," and you can see here which ones were  9 approved and they say "DM approved," "Rx approved,"  10 "DM approved," right?  11 A. Yes.  12 Q. And DM is the divisional manager?  13 A. District manager.  14 Q. District manager. And I'm a little  15 confused. I thought they were getting approved by  16 Pharmaceutical Integrity?  17 A. They are, but -- so, the process, we  18 don't let the stores just make the call. They have  19 to talk to their leadership over them in the area  20 and say I need a request to exceed my ceiling for  21 these -- this product. The DM has to go in and  22 make that request to us.  23 So, there is -- it's another -- it's  24 another level, layer of approval process.</p>
<p style="text-align: right;">Page 347</p> <p>1 Q. Okay. And then L, "Pack Size." What's  2 that mean?  3 MR. STOFFELMAYR: Where do you see that?  4 MR. MOUGEY: L, after K. K, L.  5 MR. STOFFELMAYR: I'm sorry. Column L.  6 BY MR. MOUGEY:  7 Q. "Pack Size."  8 A. The unit size. Appears to be the unit  9 size.  10 Q. And M, "UOM"?  11 A. I don't know what that -- I don't know  12 what that stands for.  13 Q. Unit order monitoring?  14 A. I don't --  15 Q. You don't know?  16 A. I have no idea.  17 Q. Next one, "DC Number"?  18 A. Um-hmm.  19 Q. What's that?  20 A. That would be distribution center that  21 they're serviced out of.  22 Q. Okay. And then --  23 A. Is my understanding.  24 Q. O, "Control Drug Class"?</p>	<p style="text-align: right;">Page 349</p> <p>1 Q. So, it goes through the DM first and  2 then it goes through Pharmaceutical Integrity?  3 A. Correct.  4 Q. And then the request --  5 A. I believe they actually, the way it  6 works, is the store submits the request. It goes  7 to the DM. They have to approve it. They can  8 approve it or decline it. If it declines, it just  9 goes back to the store. If they approve it, then  10 it routes to Pharmaceutical Integrity for review.  11 Q. Okay. And "Request Status Role" and  12 then obviously we went through the "Request Status  13 Comments," U, at the end, right?  14 A. Correct.  15 Q. Now, I could be mistaken, but I believe  16 that the earliest entry we have been able to find  17 on any override form is September 13. Okay. So,  18 I'm looking at column B. I'm not asking you to...  19 But do you have any understanding of  20 when these override forms or anything similar to  21 this documenting the reasons why the ceilings were  22 allowed to be overridden were captured prior to  23 Pharmaceutical Integrity?  24 A. I don't, no.</p>



<p style="text-align: right;">Page 350</p> <p>1 Q. You don't know or you didn't ask?</p> <p>2 A. I don't know. I don't know where they</p> <p>3 would have been documented.</p> <p>4 Q. Was your charge to come in just to start</p> <p>5 a whole new operation?</p> <p>6 A. Yes.</p> <p>7 Q. I don't want anyone to look in the</p> <p>8 rearview mirror. Start from scratch?</p> <p>9 MR. STOFFELMAYR: Objection to the form.</p> <p>10 BY THE WITNESS:</p> <p>11 A. That wasn't how it was described to me.</p> <p>12 It was described --</p> <p>13 BY MR. MOUGEY:</p> <p>14 Q. How was it described? You went to</p> <p>15 Villanova undergrad?</p> <p>16 A. No.</p> <p>17 Q. Where did you go?</p> <p>18 A. I did not. I took executive --</p> <p>19 Q. New Mexico?</p> <p>20 A. Correct.</p> <p>21 Q. So, you come in in '12. Walgreens has</p> <p>22 several thousand stores at that point, right?</p> <p>23 A. Yeah.</p> <p>24 Q. It has hundreds of thousands of</p>	<p style="text-align: right;">Page 352</p> <p>1 A. Yes.</p> <p>2 Q. And I think it would be fair to say that</p> <p>3 there was some significant sense of urgency when</p> <p>4 you took over with Pharmaceutical Integrity. Is</p> <p>5 that fair?</p> <p>6 A. That's fair.</p> <p>7 Q. And as you became educated about what</p> <p>8 was going on nationally, did you come to understand</p> <p>9 the significance of the opiate epidemic across the</p> <p>10 country?</p> <p>11 A. Yes.</p> <p>12 Q. And you could see that year after year</p> <p>13 after year for at least a decade that deaths had</p> <p>14 been increasing, correct?</p> <p>15 MR. STOFFELMAYR: Objection to the form.</p> <p>16 BY THE WITNESS:</p> <p>17 A. Yes.</p> <p>18 BY MR. MOUGEY:</p> <p>19 Q. And you were being educated internally</p> <p>20 through PowerPoints and whatever else from your --</p> <p>21 from Walgreens that opiate overdoses had overtaken</p> <p>22 even motor vehicle accidents as a leading cause of</p> <p>23 death, correct?</p> <p>24 A. Yes.</p>
<p style="text-align: right;">Page 351</p> <p>1 employees, correct?</p> <p>2 A. Um-hmm.</p> <p>3 Q. It had been distributing controlled</p> <p>4 substances through distribution centers for a long</p> <p>5 period of time, correct?</p> <p>6 A. Yes.</p> <p>7 Q. It was in the middle of a significant</p> <p>8 investigation by the DEA, correct?</p> <p>9 A. Yes.</p> <p>10 Q. As a matter of fact, it looked like the</p> <p>11 case may actually get tried about the same time</p> <p>12 that Pharmaceutical Integrity was being created,</p> <p>13 correct?</p> <p>14 A. Yes.</p> <p>15 Q. There was preparation for an actual</p> <p>16 administrative proceeding with the DEA, correct?</p> <p>17 A. Yes.</p> <p>18 Q. And you personally were preparing as a</p> <p>19 possible witness in that case, were you not?</p> <p>20 A. I was.</p> <p>21 Q. And, so, you were intimately aware of</p> <p>22 the pressure Walgreens was under in '12 and early</p> <p>23 '13 with what you referred to earlier as gaps in</p> <p>24 its system, correct?</p>	<p style="text-align: right;">Page 353</p> <p>1 Q. And do you know anyone, just socially,</p> <p>2 kids, family, that you know throughout your network</p> <p>3 socially of people who have been impacted by the</p> <p>4 opiate crisis?</p> <p>5 A. Yes.</p> <p>6 Q. And do you have -- I'm not -- don't</p> <p>7 tell -- I'm not asking names or anything else.</p> <p>8 But do you have people that you know or</p> <p>9 your kids know or spouse knows that had problems</p> <p>10 with opiate abuse?</p> <p>11 A. Yes.</p> <p>12 Q. Do you know specifically people -- I'm</p> <p>13 not asking names -- but that had overdosed?</p> <p>14 A. Yes.</p> <p>15 Q. Do you or your kids or your social</p> <p>16 network know people who had overdosed?</p> <p>17 A. Yes.</p> <p>18 Q. Do you know people who had died?</p> <p>19 A. Yes.</p> <p>20 Q. So, you understood when you took over in</p> <p>21 Pharmaceutical Integrity the significance of the</p> <p>22 national crisis and the import of the task at hand?</p> <p>23 A. I certainly was educated, yes.</p> <p>24 Q. Did it give you pause for concern about</p>

<p style="text-align: right;">Page 354</p> <p>1 the gaps that Walgreens had in its suspicious order  2 monitoring system on the distributor side when you  3 took over?  4 A. Certainly I wanted -- my job as I saw it  5 was to improve the process and close whatever gaps  6 that may exist to make it a more -- more robust  7 process.  8 Q. Did any of your team members have -- and  9 I'm saying team in the Pharmaceutical Integrity  10 Department. I realize you had more areas under  11 your auspices than that.  12 But did any of the team members in  13 Pharmaceutical Integrity have backgrounds in  14 compliance?  15 A. Not that I'm aware of.  16 Q. It was a combination of people that had  17 pharmaceutical backgrounds, technical backgrounds  18 and some loss prevention. Is that fair?  19 A. Pharmacy backgrounds, what I would call  20 people that were strong with data and analytics and  21 loss prevention. That would generally surmise who  22 they were.  23 Q. So -- this is my word. You tell me if  24 it's wrong.</p>	<p style="text-align: right;">Page 356</p> <p>1 Q. And there was -- I forget the exact  2 title, but there were also four spots in the org  3 chart underneath the business analysts initially  4 that weren't filled, is that?  5 A. There was -- we did a high-level sketch  6 when we first started out as what we thought it  7 might look like, yes.  8 Q. So, Tasha, four business analysts and  9 four managers, so approximately eight people, give  10 or take. Does that sound about right?  11 A. Yeah.  12 Q. Made a fairly significant dent in a  13 matter of months on the amount of scheduled  14 narcotics, opiates that went from Walgreens across  15 the country. Fair?  16 A. Well, I think we certainly stood up a  17 number of policies and processes and tools that  18 impacted the dispensing of opioids across the  19 country, yes.  20 Q. And that was just in a matter of months?  21 A. Six, eight months, nine months,  22 something like that.  23 Q. Did you ever get to the point where you  24 were, after you saw what the impact in the opiate</p>
<p style="text-align: right;">Page 355</p> <p>1 You and Tasha Polster assembled a SWAT  2 team, so to speak, of some different areas of  3 specialty. Is that fair?  4 A. Well, we certainly hoped to get the  5 right talent in the right place.  6 Q. Okay. And you selected Tasha Polster,  7 an administrative assistant, correct?  8 Tasha Polster and an administrative  9 assistant was part of the team, right?  10 A. I'm not following you.  11 Q. I'm going to walk through them. I am  12 looking through the org chart in my head. Bear  13 with me.  14 You have got Tasha Polster, right?  15 A. Um-hmm.  16 Q. You have four managers underneath Tasha,  17 correct?  18 A. Correct.  19 Q. And they were each in charge of  20 geographic locations, correct?  21 A. That's correct.  22 Q. Underneath one of them is a business  23 analyst, correct?  24 A. Correct.</p>	<p style="text-align: right;">Page 357</p> <p>1 crisis was across the country as you were being  2 educated starting Pharmaceutical Integrity, get to  3 the point where you were frustrated or upset with  4 how did this happen in the company that I had spent  5 32 years with and how did it get this bad?  6 MR. STOFFELMAYR: Objection to the form. Go  7 ahead.  8 BY THE WITNESS:  9 A. I think there were a number of  10 frustrations not only with, you know -- just in  11 general it's a very complex issue, as I'm sure  12 you're aware. And as I came up to speed on what it  13 was, I would say that I was frustrated in many ways  14 with what was going on.  15 I was frustrated with the DEA's  16 interaction with us. I was frustrated with what  17 some pharmacists would do on this. I was  18 frustrated with -- there was -- it's a -- it's a  19 significant issue.  20 Q. And Walgreens tapped you and your  21 experience after whatever that point in time was,  22 20 plus years at Walgreens, I need you to assemble  23 a team and I need you to come in and help fix that,  24 and did you ever get to the point where you, "Why</p>

<p>Page 358</p> <p>1 in the world did Walgreens not do this ten years 2 ago?"</p> <p>3 MR. STOFFELMAYR: Objection to the form. 4 BY THE WITNESS:</p> <p>5 A. I wouldn't say I got to that point. 6 BY MR. MOUGEY:</p> <p>7 Q. There was nothing stopping Walgreens 8 from doing what Rex Swords and Tasha Polster did in 9 2013 from doing that at the very beginning of the 10 opiate crisis ten years earlier, correct?</p> <p>11 MR. STOFFELMAYR: Objection to the form. 12 BY MR. MOUGEY:</p> <p>13 Q. There was nothing stopping Walgreen from 14 doing what you did 10, 11, 12, 13 years earlier, 15 correct?</p> <p>16 MR. STOFFELMAYR: Objection to the form. 17 BY THE WITNESS:</p> <p>18 A. No. 19 BY MR. MOUGEY:</p> <p>20 Q. It was a culture issue at Walgreens that 21 said, in response to DEA investigations, in 22 response to a case about to get tried, that 23 Walgreens assembled you and asked you to put 24 together a team to close the gaps, correct?</p> <p>Page 359</p> <p>1 MR. STOFFELMAYR: Objection to the form. Go 2 ahead.</p> <p>3 BY THE WITNESS:</p> <p>4 A. I wouldn't characterize it as a culture 5 issue. I would characterize it more as an 6 awareness issue.</p> <p>7 BY MR. MOUGEY:</p> <p>8 Q. And Walgreens throughout the 2000s 9 profited from a dramatically increasing opiate 10 business at its pharmacies around the country and 11 the profits from the controlled substances it sold 12 went to its bottom lines -- bottom line and didn't 13 take any steps until as dramatic as was taken in 14 2013 to close the gaps, correct?</p> <p>15 MR. STOFFELMAYR: Objection to the form. 16 BY THE WITNESS:</p> <p>17 A. Well, I'm not sure I -- it sounded like 18 a statement, not a question to me. Is there -- is 19 there a question?</p> <p>20 BY MR. MOUGEY:</p> <p>21 Q. Yes. What took Walgreens until 2013 to 22 put together eight people out of hundreds of 23 thousands of employees to close the gaps on its 24 suspicious order monitoring policies and</p>	<p>Page 360</p> <p>1 procedures?</p> <p>2 A. Again, I think --</p> <p>3 MR. STOFFELMAYR: Objection to the form. Go 4 ahead.</p> <p>5 THE WITNESS: I'm sorry. 6 BY THE WITNESS:</p> <p>7 A. Again, I think it was an awareness. 8 This was an issue of national proportion and what 9 happened in Florida really sort of caught people 10 off guard, and we did our best at that time as a 11 company to react to it as quickly as we could. 12 BY MR. MOUGEY:</p> <p>13 Q. When you say it took Walgreens off 14 guard, I asked you earlier about your awareness of 15 Congressional hearings that began in late '90s, 16 early 2000s. Don't you think somebody at Walgreens 17 should have been aware of Congressional 18 investigations that occurred 12, 13 years prior to 19 you coming on board?</p> <p>20 A. I don't -- I don't have an opinion on 21 that. It's -- I don't know what -- what they 22 should or shouldn't have done or what we do as far 23 as monitoring Congressional investigations. 24 Q. Do you have a -- Walgreens pays for a</p> <p>Page 361</p> <p>1 team of lobbyists, does it not?</p> <p>2 A. We do have lobbyists, yes.</p> <p>3 Q. Yes, sir. And you would think that 4 anybody with their ear to the ground in DC would 5 know that there was a raging opiate epidemic 6 roaring through the 2000s, would you not?</p> <p>7 MR. STOFFELMAYR: Objection to the form. 8 BY THE WITNESS:</p> <p>9 A. I think, you know, lobbyists do what 10 lobbyists do. I'm not a lobbyist. I don't know. 11 BY MR. MOUGEY:</p> <p>12 Q. Walgreens. You would think Walgreens 13 with its hundreds of thousands of employees and 14 several thousand stores would have an awareness of 15 a raging opiate epidemic through the 2000s and have 16 taken action prior to 2013, would you not?</p> <p>17 MR. STOFFELMAYR: Objection to the form. 18 BY THE WITNESS:</p> <p>19 A. Again, I don't have an opinion on it. 20 MR. MOUGEY: Kaspar, if I could take -- let me 21 take five minutes. I have got a couple docs. I 22 want to organize them. My goal is to try to be 23 done in the next 45 minutes. Does that work for 24 the cat?</p>
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<p style="text-align: right;">Page 362</p> <p>1 MR. STOFFELMAYR: Yes.</p> <p>2 MR. MOUGEY: Okay.</p> <p>3 THE VIDEOGRAPHER: We are going off the record</p> <p>4 at 3:10 p.m.</p> <p>5 (WHEREUPON, a recess was had</p> <p>6 from 3:10 to 3:39 p.m.)</p> <p>7 THE VIDEOGRAPHER: We are back on the record</p> <p>8 at 3:39 p.m.</p> <p>9 BY MR. MOUGEY:</p> <p>10 Q. We talked about 340B just for a few</p> <p>11 minutes earlier. 340B. When did Walgreens -- let</p> <p>12 me use the word "participating." I don't know if</p> <p>13 that's the right word.</p> <p>14 But when did Walgreens participate in</p> <p>15 the distribution of Schedule II/Schedule III</p> <p>16 opiates in 340B?</p> <p>17 A. I don't know the dates. I don't know</p> <p>18 the dates on. We have participated broadly in 340B</p> <p>19 for years. I'm not sure.</p> <p>20 Q. You don't remember?</p> <p>21 A. I'm not involved in 340B, so I don't</p> <p>22 know the dates.</p> <p>23 Q. Who would -- what part of the</p> <p>24 organizational structure at Walgreens would you</p>	<p style="text-align: right;">Page 364</p> <p>1 looks weird. It's fine.</p> <p>2 I'm going to follow up. I just -- a</p> <p>3 couple things, Mr. Swords.</p> <p>4 EXAMINATION</p> <p>5 BY MR. STOFFELMAYR:</p> <p>6 Q. You were asked a question a moment ago</p> <p>7 about a 340B program. Do you recall that?</p> <p>8 A. I do.</p> <p>9 Q. And the question was asked in terms of</p> <p>10 340B distribution. And just so everybody is clear,</p> <p>11 as far as you understand it, is Walgreens'</p> <p>12 involvement in the 340B program as a distributor or</p> <p>13 dispensing entity or some other way?</p> <p>14 A. We are a dispensing entity. 340B is</p> <p>15 sort of a voucher program. So, we participate and</p> <p>16 fill prescriptions for 340B clients.</p> <p>17 Q. Do you -- as far as your involvement or</p> <p>18 knowledge goes, does Walgreens have any involvement</p> <p>19 in distributing 340B products to other dispensing</p> <p>20 entities?</p> <p>21 A. No.</p> <p>22 Q. Some hours ago you were asked some</p> <p>23 questions about data that the company obtains from</p> <p>24 companies like IMS or IQVIA or Lexecon. Do you</p>
<p style="text-align: right;">Page 363</p> <p>1 consider to be the -- would know about the 340B</p> <p>2 program?</p> <p>3 A. There is actually a 340B team.</p> <p>4 Q. Is there?</p> <p>5 A. Yes.</p> <p>6 Q. Do you know who's on it?</p> <p>7 A. Carl Meehan is the senior director for</p> <p>8 340B.</p> <p>9 Q. Carl Meehan. And who else is on the</p> <p>10 team?</p> <p>11 A. I don't know the rest of them. I know</p> <p>12 the leader.</p> <p>13 Q. You know Carl?</p> <p>14 A. I know, yeah, I know Carl.</p> <p>15 Q. So, it's a big enough business segment</p> <p>16 that there's at least a team that's designed to</p> <p>17 manage that process?</p> <p>18 A. Yes.</p> <p>19 MR. MOUGEY: I don't have any further</p> <p>20 questions.</p> <p>21 MR. STOFFELMAYR: If you don't mind, when you</p> <p>22 are answering, just --</p> <p>23 THE WITNESS: Look at the camera.</p> <p>24 MR. STOFFELMAYR: Don't look at me because it</p>	<p style="text-align: right;">Page 365</p> <p>1 recall those questions?</p> <p>2 A. I do.</p> <p>3 Q. And you were asked about some of the</p> <p>4 ways in which the Pharmaceutical Integrity group or</p> <p>5 others might use that data.</p> <p>6 Do you use IQVIA data or Lexecon data to</p> <p>7 evaluate dispensing practices or to evaluate</p> <p>8 distribution?</p> <p>9 A. Dispensing.</p> <p>10 Q. Does that data play any role in your</p> <p>11 evaluation of distribution activities?</p> <p>12 A. Not that I'm aware of.</p> <p>13 Q. Then you recall some questions earlier</p> <p>14 today about ways in which the company communicates</p> <p>15 with its pharmacists about policies and procedures?</p> <p>16 A. Yes.</p> <p>17 Q. And you made a reference in the middle</p> <p>18 of one of your answers that I wanted to follow up</p> <p>19 on to something called LTM. Do you recall that?</p> <p>20 A. LTMP is what we call it, yes.</p> <p>21 Q. Could you tell us, what is LTMP?</p> <p>22 A. It's a learning talent management</p> <p>23 platform. It's how we deploy all of our training,</p> <p>24 notices, annual attestations for things like HIPAA,</p>

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<p>1 controlled substance compliance work, all those 2 things. 3 That's what every team member that's 4 responsible for those certain segments would 5 receive that electronically and go through that 6 training process and attest or take a test or 7 attest at the end that they have completed it. 8 Q. For your pharmacists, does that training 9 including Walgreens' policies and procedures around 10 dispensing opioids? 11 A. Yes. Controlled substances. I wouldn't 12 say it's specific to opioids, but around controlled 13 substances, yes. 14 Q. And how often do your pharmacists go 15 through that training? 16 A. I believe that's an annual requirement. 17 Q. One last question. 18 You were asked a couple questions about 19 interstoring, I think it was phrased. Do you 20 recall that? 21 A. Yes. 22 Q. And did I understand correctly that when 23 interstoring goes on with controlled substances, 24 there are additional procedures than with other</p>	<p>1 (Time Noted: 3:44 p.m.) 2 FURTHER DEPONENT SAITH NAUGHT. 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24</p>
Page 367	Page 369
<p>1 pharmaceuticals? 2 A. Well, there is no interstoring today of 3 controlled substances. Prior to us stopping that 4 with the Pharmaceutical Integrity teamwork, the 5 process would require a pharmacy supervisor or 6 district manager level responsibility to sign off 7 and permit that interstoring of controlled 8 substances to occur. But, again, no Schedule IIs 9 could be done. It was only Schedule III through 10 Vs. 11 Q. Were Schedule II controlled substances 12 ever eligible for interstoring? 13 A. No. Only when a store closes, you know, 14 completely closes the pharmacy would we have moved 15 those prescriptions to another pharmacy using the 16 DEA 222 forms to make the transition. 17 MR. STOFFELMAYR: Thank you, Mr. Swords. 18 That's all I have. 19 MR. MOUGEY: I don't have anything further. 20 MR. STOFFELMAYR: Great. Thank you. 21 MR. MOUGEY: Thank you, Mr. Swords. 22 Appreciate it. Thank you, you guys. 23 THE VIDEOGRAPHER: We are off the record at 24 3:44 p.m.</p>	<p>1 2 I, CORINNE T. MARUT, C.S.R. No. 84-1968, 3 Registered Professional Reporter and Certified 4 Shorthand Reporter, do hereby certify: 5 That previous to the commencement of the 6 examination of the witness, the witness was duly 7 sworn to testify the whole truth concerning the 8 matters herein; 9 That the foregoing deposition transcript 10 was reported stenographically by me, was thereafter 11 reduced to typewriting under my personal direction 12 and constitutes a true record of the testimony 13 given and the proceedings had; 14 That the said deposition was taken 15 before me at the time and place specified; 16 That the reading and signing by the 17 witness of the deposition transcript was agreed 18 upon as stated herein; 19 That I am not a relative or employee or 20 attorney or counsel, nor a relative or employee of 21 such attorney or counsel for any of the parties 22 hereto, nor interested directly or indirectly in 23 the outcome of this action. 24 CORINNE T. MARUT, Certified Reporter (The foregoing certification of this transcript does not apply to any reproduction of the same by any means, unless under the direct control and/or supervision of the certifying reporter.)</p>



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**INSTRUCTIONS TO WITNESS**

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2  
3 Please read your deposition over  
4 carefully and make any necessary corrections. You  
5 should state the reason in the appropriate space on  
6 the errata sheet for any corrections that are made.  
7 After doing so, please sign the errata  
8 sheet and date it.  
9 You are signing same subject to the  
10 changes you have noted on the errata sheet, which  
11 will be attached to your deposition.  
12 It is imperative that you return the  
13 original errata sheet to the deposing attorney  
14 within thirty (30) days of receipt of the  
15 deposition transcript by you. If you fail to do  
16 so, the deposition transcript may be deemed to be  
17 accurate and may be used in court.  
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**ACKNOWLEDGMENT OF DEPONENT**

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4 I, REX SWORDS, do hereby certify under  
5 oath that I have read the foregoing pages, and that  
6 the same is a correct transcription of the answers  
7 given by me to the questions therein propounded,  
8 except for the corrections or changes in form or  
9 substance, if any, noted in the attached Errata  
10 Sheet.  
11  
12  
13 \_\_\_\_\_  
14 **REX SWORDS** **DATE**  
15  
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17 Subscribed and sworn  
18 to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.  
19 My commission expires: \_\_\_\_\_  
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21 \_\_\_\_\_ Notary Public  
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**LAWYER'S NOTES**

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